

Is sales management good enough now?

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

JULY 12, 1958

Government securities dealers—
They make a \$170-billion market
(The Markets)

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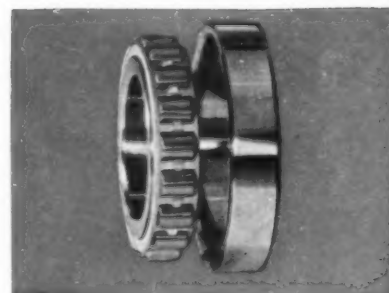
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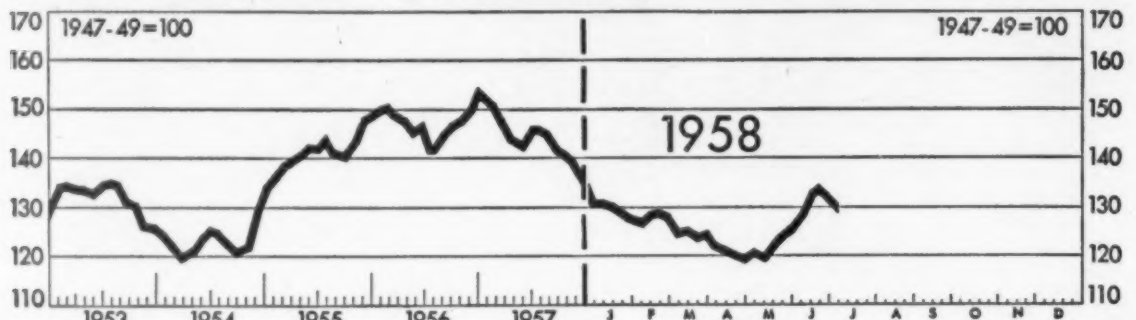
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	% Latest Week
91.6	147.0	129.6	†132.7	*131.0

PRODUCTION

Steel ingot (thous. of tons).....	1,281	2,015	1,728	†1,376	1,459
Automobiles and trucks.....	62,880	95,614	97,877	†127,238	44,775
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.).....	\$17,083	\$68,638	\$86,912	\$78,533	\$84,272
Electric power (millions of kilowatt-hours).....	4,238	11,056	11,681	11,757	†11,150
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,952	6,256	†6,332	6,424
Bituminous coal (daily av., thous. of tons).....	1,745	2,057	1,275	†1,486	1,624
Paperboard (tons).....	167,269	158,025	248,617	277,429	193,815

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	82	69	57	58	57
Carloadings: all others (daily av., thous. of cars).....	53	53	38	47	47
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	115	116	117	111
Business failures (Dun & Bradstreet, number).....	22	190	325	335	292

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	426.8	399.8	398.5	397.6
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	92.9	81.7	83.1	83.4
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	86.3	91.6	90.7	89.9
Print cloth (spot and nearby, yd.).....	17.5¢	17.8¢	17.4¢	17.4¢	17.4¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	180.8	181.6	181.5	181.5
Scrap steel composite (Iron Age, ton).....	\$20.27	\$54.50	\$35.50	\$35.17	\$36.50
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	29.188¢	24.980¢	†25.325¢	25.888¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.15	\$2.12	\$1.85	\$1.75
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.99¢	34.80¢	34.86¢	34.89¢
Wool tops (Boston, lb.).....	\$1.51	\$2.22	\$1.59	\$1.65	\$1.65

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	48.84	44.55	45.12	45.44
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.72%	4.57%	4.53%	4.51%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	3% %	1% %	1½ %	1½ %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	54,307	55,686	55,266	54,496
Total loans and investments, reporting member banks.....	††71,916	88,204	92,934	95,833	95,253
Commercial and agricultural loans, reporting member banks.....	††9,299	32,310	29,677	30,356	30,351
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	26,310	31,289	32,615	32,583
Total federal reserve credit outstanding.....	23,888	25,384	25,240	26,170	26,380

MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Employment (in millions).....June.....	55.2	66.5	64.1	65.0
Unemployment (in millions).....June.....	2.3	3.3	4.9	5.4
Average weekly earnings in manufacturing.....June.....	\$43.82	\$82.80	\$81.83	\$83.10

* Preliminary, week ended July 5, 1958.
† Revised.

†† Estimate.
** Ten designated markets, middling ½ in.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Grant Compton; 26—Texas National Bank; 29—George Woodruff; 30, 31—Thomas O'Reilly; 36—Joan Sydlow; 66—U. S. Rubber Co.; 74—W.W.; 81, 82—U.A.W.; 100, 101, 103—Grant Compton; 130, 131—John Launois.

WHAT IS TODAY'S MOST PERPLEXING PENSION PROBLEM?

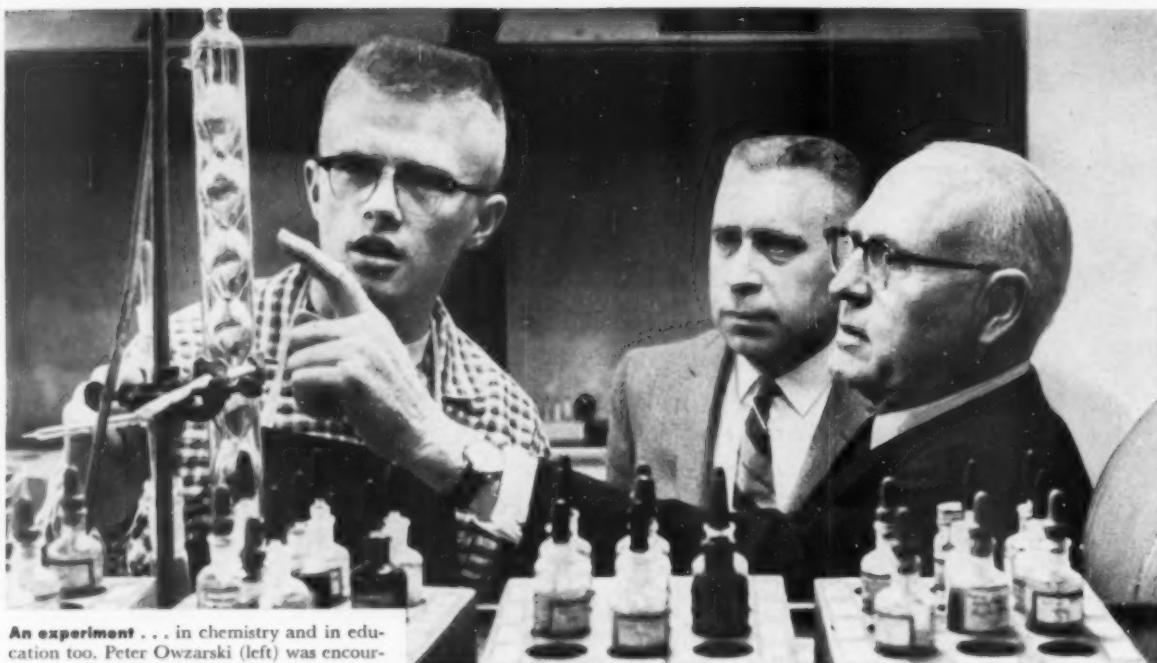
The problem for corporations is to invest today's contributions for tomorrow's benefits in such a way as to compensate—insofar as possible—for changes in purchasing power and living standards. The best answer is balance and selection in the investment program based on extensive research directed at this problem. Our Pension Trust Division has gained its reputation through successful management of pension and profit-sharing trusts—large and small. Individual attention to each fund has earned Bankers Trust its top position in the field. For further information, write to us at 16 Wall Street, New York 15, N. Y.



BANKERS TRUST COMPANY, NEW YORK

**FORWARD-LOOKING BUSINESS
NEEDS A FORWARD-LOOKING BANK**

MEMBER F.D.I.C.



An experiment . . . in chemistry and in education too. Peter Owzarski (left) was encouraged by his high school teachers to take college courses in chemistry after they found his interest in this field had prepared him for advanced work. Now he attends his high school in the morning, college in the afternoon. Peter is enrolled in chemistry courses on the Wausau campus of University of Wisconsin's Extension Division. Dr. Samuel Weiner (center) guides this brilliant young man in his advanced courses.



The Science Fair at Wausau Senior High School was an impressive part of my visit. On their own time, some 900 or more boys and girls had prepared 700 scientific exhibits. The projects covered everything from nutrition to seismographs . . . even a walking-talking mechanical man made out of stove pipes and tin cans. Beverly Geske tells me this is the school's fourth annual fair under the direction of Mr. Ben Berg.

Thomas Alva Edison's motto is used to measure a community's aims and achievements

Wausau Story

by **MAX McGRAW**, President of McGraw-Edison Company
Vice President of The Thomas Alva Edison Foundation, Inc.

"You've heard Mr. Edison's motto: 'There's a way to do it better—*find it*.' Those words have always meant a lot to me, yet I know they are not easy to follow.

"I found that out when I was a boy. I got fourteen of my friends to join me in setting up a telegraph circuit between our homes. We had to string up eight miles of wire. Then we had to learn the Morse Code.

"It was worthwhile though. When you're in pursuit of a better way, the reward is in the challenge as well as the achievement. When I was in Wausau recently, I felt the community was aware of this. I visited schools. I talked to business men and found the same spirit. Many of you know this. You've done business with Employers Mutuals of Wausau. They're known as 'good people to do business with'. Their aims and achievements prove they deserve this reputation."

Employers Mutuals thanks Mr. McGraw for visiting us in Wausau. Employers Mutuals, with offices all across the country, writes all forms of fire, group and casualty insurance (including automobile). We are one of the largest in the field of workmen's compensation. Our business is growing and we need more people to help us—especially in our sales department. If you are interested in career opportunities with Employers Mutuals' nation-wide organization, write to C. E. Smith, Sales Manager, Employers Mutuals of Wausau in Wausau, Wisconsin.

Employers Mutuals of Wausau



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BUSINESS WEEK • July 12, 1958

READERS REPORT

Not of Equal Weight

Dear Sir:

Allow me to take your side against the abusive insinuations of Mr. Walton, published in your June 14 issue. He seems to think that your stand that the masses, in disagreeing with your tax-cut view, must be "muddled" is somehow anti-democratic. This is, of course, absurd. The fact that in our system of government every man has a vote hardly means that every man's opinion is of equal weight, any more than is every man's brain of equal usefulness. Your editorial staff, and the economists you quote, have much more right to have an opinion on a tax cut than do the masses. When they disagree with you, it is merely tolerance to attribute their views to "muddled thinking"; the only alternative explanation is stupidity.

Mr. Walton is saying, in effect, that the consensus of your staff on how to bake a fudge cake is more valid than the unanimous opinion of three Cedar Rapids housewives. Each of us has our area of contribution.

BARRET W. JORDINSON
 NEW YORK, N. Y.

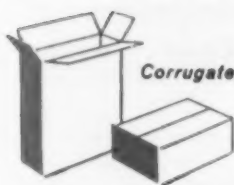
Missile Job

Dear Sir:

Those of us in Pan American's Guided Missiles Range Division who saw the BUSINESS WEEK story Canaveral Booms as U. S. Way-point to Space [BW—Jun. 7'58, p54] felt proud to be a part of the operation which was presented.

Pan American's role here at the Air Force Missile Test Center is that of management, operation, and maintenance of the 5,000-mile missile test range stretching from Cape Canaveral to Ascension Island. Pan American's responsibility to the Air Force is to perform or oversee every phase of missile ground support, both at the Cape Canaveral launching site and at the chain of down range bases and missile tracking ships.

Near the end of the Canaveral Booms story . . . the writer stated: "In addition to all this activity, there's continual work by North American Aviation, Canaveral's 'housekeeper,' and RCA, the general contractor for support instrumentation." The writer obviously was referring to Pan American, and while we have been called "housekeeper" for the range we feel the major part of our work is centered



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Corrugated Paper Products

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We'll deliver.



Fort Wayne

CORRUGATED PAPER COMPANY

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50th
YEAR

around highly skilled people, with only a relatively small group involved in "housekeeping" duties. . . .

JACK F. FORTES

PUBLIC RELATIONS REPRESENTATIVE
PAN AMERICAN WORLD AIRWAYS
PATRICK AIR FORCE BASE, FLA.

Fine Tribute

Dear Sir:

Your mention of the United States Power Squadrons [BW—May 10 '58, p106] was a great tribute to a fine educational organization that is promoting safety on the waters.

My company has been a subscriber since BUSINESS WEEK was born, and we wouldn't miss an issue even if we were in China. . . .

EDWARD L. SOLOMON

PRESIDENT
MAX SOLOMON CO.
PITTSBURGH, PA.

Slum Elimination

Dear Sir:

The allegation [BW—Apr. 5 '58, p55] that private enterprise cannot redevelop slum areas and that only government can do the job is contrary to fact. Slums have been eliminated in numerous cities in New Zealand, Australia, Denmark, and South Africa because private enterprise has not been hampered by penalizing tax measures. These cities have removed all taxes from improvements and increased taxes on the land to take up the slack. The property owner who cleans up and improves his property is not penalized by having his taxes increased. On the other hand, the incentive taxation plan makes it unprofitable for the slum owner to keep his land underdeveloped or idle. . . .

WILLIAM TRUEHART
DIRECTOR OF THE HENRY GEORGE
SCHOOL OF SOCIAL SCIENCE IN
LOS ANGELES, CALIF.

Serious Problem

Dear Sir:

Re: Averting Collisions in the Air [BW—Jun. 7 '58, p23].

You fail to mention one of the gravest of all the problems facing pilots, ground controllers, and aircraft safety officers . . . inaccurate altimeters. The lack of efficient barometric altitude sensing devices is becoming more alarming every day. . . .

ARTHUR LIPPER III
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Look for the jet with props

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In the air you speed along in serene smoothness. If "weather" is sighted or radar-sensed ahead, your pilot can choose the best altitude or course for your comfort...above or below storms or winds. You can depend on scheduled arrival and departure times.

When Electra descends for landing—relax. The big props actually act like "brakes" against the air for short, safe landings even on slick runways. You disembark near terminals and can carry your luggage for quicker getaway.



You will enjoy Electra/Flight on these leading airlines:



The finest jet age airliner for city-to-city travel **LOCKHEED ELECTRA**

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This *Automatic* your truck more

*Now available in GMC, Chevrolet,
Dodge and Ford...Allison fully
automatic transmission pays for itself
well within the first 12 months
of operation*

- "33 $\frac{1}{3}$ % more payload per trip," says West Coast contractor.
- "50% less engine maintenance," reports Rocky Mt. trucker.
- "75% lower brake maintenance," claims Utah ore hauler.
- "100 extra miles per day," indicates Michigan car-haul.
- "3 trucks do the work of 4," says New Jersey sand hauler.

Allison

Brain" gives get up and go...

ALL over the country truck owners are acclaiming the Allison Automatic as the greatest transmission advance in 30 years. In every type of service—local and long distance—in city traffic and over the highway—in the deepest mud and the roughest road—the Allison fully automatic transmission is bringing America *a new kind of truck*.

With the Allison Automatic, your driver merely selects the range—the "Automatic Brain" does the rest. It "senses" the right gear for *every* combination of speed, load and grade. Shifting is automatic—exact—every time. Engines *can't* lug or race. Average elapsed trip time is decreased 18%. And direct-drive lockup engages in every forward gear for maximum fuel economy.

It multiplies engine torque up to 15 times—delivers maximum power right from a dead stop. It gets the load moving instantly—keeps it moving smoothly. It cushions the engine and drive line from costly shock damage—increases engine life 35%.

Its built-in hydraulic retarder permits faster—yet safer—descents on even the steepest grades. It slows your truck in traffic without touching the service brakes. And it cuts brake maintenance more than 50%.

The Allison Automatic is the first fully automatic transmission specially designed for medium and heavy-duty trucks. It's the first transmission that lets you take *full* advantage of today's high-torque truck engines. It was developed from more than 10 years' service in the heaviest military and off-highway vehicles.

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ALLISON DIVISION OF GENERAL MOTORS, Indianapolis 6, Indiana

FULLY AUTOMATIC TRUCK *Transmissions*



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18-Story Philadelphia Apartment Air Conditioned by 663 General Electric Thinlines

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"General Electric *Thinline* air conditioners offered more than other units we considered. We are more than satisfied with our choice."

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Other General Electric *Thinline* air conditioners are available for easy installation in existing buildings where they provide the same zone-by-zone comfort control.

Why not ask your General Electric Representative how little it costs to air condition your building with *Thinline* air conditioners. General Electric Company, Appliance Park, Louisville 1, Kentucky.

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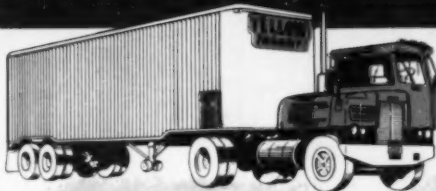
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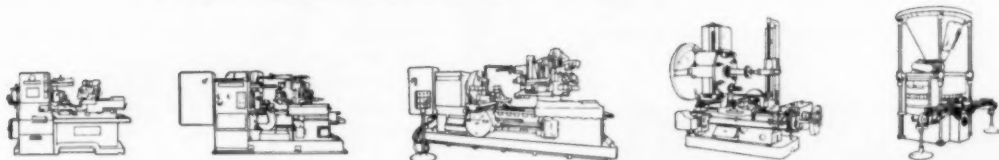
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**IBM****MANAGEMENT
INTERVIEW**

Mr. Richard S. Wolff, President, Camloc Fastener Corporation, Paramus, N. J.

For the world of small business —

IBM PUNCHED CARDS BRING BIG SAVINGS

"Electronic computers are fine for the larger companies, but what about us?" ask many small-company executives. "We need to cut paperwork costs and get information fast, too."

Here in an interview with key executives of a growing, progressive company you'll find the answer to that challenge—simplified IBM punched card methods that bring profitable results to many areas of one business.

The company is Camloc Fastener Corporation of Paramus, New Jersey, manufacturers of quick-operating fasteners for industry. The executives are: Richard S. Wolff, President, Theodore A. Barkauskas, General Superintendent, Wm. E. Bracey, Eastern Sales Manager, and Henry Cooper, Office Manager.

Q. Mr. Wolff, what were some of the problems you faced before you installed IBM punched card accounting?

A. Our growth was far outrunning our ability to control the operation. We couldn't get the information we needed to analyze sales or plan production. Invoices and statements were far behind. And as you might guess, customer service was suffering.

Q. Which of these areas would you say caused the most difficulty?

A. They're all tied together. We were trying to overcome the difficulties inherent in any manual system. Our business was expanding quite rapidly and we were running out of room in which we might put additional people. At this point, we decided to investigate machine accounting. We looked into several different types and found that IBM punched cards offered both the detail and control we needed.

Q. How do you use these punched cards?

A. We punch customers' order information in the IBM cards and then we use the information over and over again to produce the documents and reports we require. This includes packing lists, invoices, accounts receivable, updated production reports and sales analysis.

Q. Did you anticipate when you started that you'd be using the punched cards for so many areas of your business?

A. To some extent. But what really surprised us was the speed and ease with which these documents and reports could be made available. We just have to punch the data once—and it's machine processed from there on.

Q. Can you point to specific benefits of your IBM operation?

A. Yes. Many. We were as much as a month behind in our statements. Now they're in the mail the first business day of each month even though now we are handling twice as many orders and twice as many shipments as we were before. We're able to advise our customers speedily and accurately of the status of their orders. In other words, we're *controlling* the business now; it's not controlling us.

Vital reports are produced with this compact IBM punched card installation for Camloc's Office Manager Henry Cooper, Wm. E. Bracey, Sales, and General Superintendent Theodore A. Barkauskas (l. to r.). Operating the key punch is Eleanor Frenzel.

CAMLOC REPORTS BENEFITS IN MANY AREAS...

RECEIVABLES: "Now we get every bill out the day after shipment—and we've added 25% to our working capital by bringing the funds in sooner."—Richard S. Wolff, President.

CUSTOMER SERVICE: "As soon as we put the IBM system to work the complaints ceased, the phones stopped ringing, customers were getting their shipments on time."—Wm. E. Bracey, Sales.

BILLING: "Our clerical costs today would be four times as great without the IBM system."—Henry Cooper, Office Manager.

PRODUCTION: "Our records used to be from a week to a month late. Now we know what our requirements are for each week eight weeks in advance."—Theodore A. Barkauskas, General Supt.

SALES: "We are able to give our field representatives analyses never before possible—as an automatic by-product of our billing."—Wm. E. Bracey, Sales.

INVENTORY: "We've been able to reduce our investment in inventory by 10%."—Richard S. Wolff, President.

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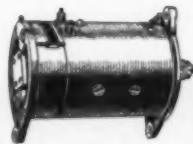
Delco-Remy Extra-Duty Electrical Equipment

to keep batteries charged

To a large extent, work time for transit-mix trucks is a matter of "hurry up and wait"—with engine idling. Waiting at the plant, loading. Waiting at the job site, unloading. And in actual fact, a good part of the hurrying from plant to job is done at low speeds.

Transit-mix trucks with two-way radios and other units, therefore, have special electrical requirements. And Delco-Remy extra-duty d.c. generators are proving their dependability in this kind of service, every working day. With them, transit-mix truck operators get the extra output needed to keep batteries charged—at engine idle and at low engine speeds. With the *right* generator and matching Delco-Remy regulator, batteries are protected against excessive discharge and cycling effects, *stay* charged and last longer.

Both 6- and 12-volt generator application packages are available. Specify Delco-Remy extra-duty electrical equipment, including the new longer life Delco batteries, when you order your new vehicles—or when you re-equip your present ones.



Model 1106986 is typical of several Delco-Remy d.c. generators which are specially suited for vehicles in low-speed-and-idle operation. This dependable 12-volt unit can produce 20 amperes at engine idle, with maximum output of 50 amperes at about 20 mph.

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Plax Corporation, Hartford, Conn., producer of the new Banish bottle, now offers packagers a complete line of stock Hi-fax containers ranging in size from 32 ounces to 6 ounces. Only $\frac{1}{8}$ the weight of glass, yet competitive

in cost, these modernistic containers provide a combination of advantages possible only with Hi-fax—shatter-proof toughness, heat resistance which permits post-packaging sterilization, and resistance to stress corrosion cracking. Hi-fax bottles can be safely packed and shipped in economical, lightweight containers, provide substantial savings in freight costs.

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HERCULES



BUSINESS OUTLOOK

BUSINESS WEEK
JULY 12, 1958



Factory payrolls in June scored the first gain of any consequence so far this year. And, while the gain may not be fully maintained during the slack summer months, it bodes well for autumn.

This is particularly important, because the severest contraction in purchasing power had taken place among factory workers.

More people working longer hours (page 25) tells the story.

Manufacturing employment gained by about 150,000 in June while the factory work week lengthened by half an hour or a little better.

Thus, during the week when employers reported to the Bureau of Labor Statistics, payrolls apparently topped \$1,260-million.

That was \$30-million or so better than May (which, in turn, showed ever so slight a rise over April). But it lagged 1957 by \$130-million.

Employment gains outside factories were larger than in manufacturing. However, it is doubtful that they equaled the average for the time of year; they won't be much of an expander in June's personal income, which is computed at a seasonally adjusted annual rate.

Yet personal income for June should maintain the April-May gains. The improvement in factory payrolls will be a major item here.

New records for construction in 1958 look safe enough on the basis of contract awards (BW—Jul.5'58,p12). But the performance marks will have to be set in the last half of the year.

The first half came out almost exactly the same as 1957.

And, when you allow for price changes, the six months' volume of just over \$22-billion doubtless represents a little less work done.

Probably the most favorable factor in this year's construction record to date is that housing no longer shows any appreciable decline.

So far this year, the value of work as estimated by the Depts. of Commerce and Labor on dwellings has been almost equal to a year ago.

In fact, except for a decline in alterations and additions, the total for the six months would have been very slightly ahead.

This year's big dip in construction, as might be expected from the cuts in factory expansion, is in industrial building. In fact, June's \$193-million was the poorest for any month in three years.

The lag in June widened to 37% behind a year ago; for the six months, industrial construction of \$1,376-million was off by 24%.

Highway work in June seemed at last to be getting up a full head of steam for summer. The estimated value of work done was \$580-million, a year-to-year gain of 16% and matching last September's record.

Nevertheless, the first half of this year ran only 5% ahead of 1957 with the value of work done put at \$2.2-billion.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JULY 12, 1958

Here are some hopeful notes on construction equipment:

- Allis-Chalmers says increased output of crawler tractors, graders, and accessory equipment is resulting in rehiring laid-off workers; 700 have been recalled so far, more may be taken back by September.
- Koehring Co. finds output leveling out from its decline with the volume of new orders boding well for the next 12 months.

—•—

Auto dealers will have to sell just about as many cars in the third quarter as they did in the second to clear the decks for new models.

Apparently they entered the period with about 700,000 cars on hand. Production, as projected for the quarter, would increase the total supply to approximately 1.3-million.

Dealers have been selling 400,000 a month, not counting imports.

Foreign cars continue to increase their market penetration.

The 34,000 imported models registered in May (the latest month for which figures are complete), pushed their share above the 7½% mark. The previous month's 7¼% had been the peak up to that time.

Incidentally, the imports showed a gain over 1957 of fully 90% for the first half of 1958.

American Motors' Rambler, alone among domestic cars, continues to run ahead of its 1957 sales rate. Rambler's 16,850 registrations in May represented a 58% gain; for the five months, it was 42% ahead.

Contrary to the prevailing belief, the "popular-priced three" aren't enjoying any larger share of the auto market than last year.

Total registrations for Chevrolet, Ford, and Plymouth in May were 58% of all cars (including imports) for the month against 59% last year. They had 57% of the market for the five months through May compared with 58% for the same period last year.

—•—

Hot weather rather than any increase in industrial activity brought better demand for electric power last week.

Output of electric energy, after running about 3% behind 1957 in the two preceding weeks when weather had been cool, pulled ahead by a percentage point. This reflects the extent to which air conditioning has reshaped the summer curve of power demand.

The relatively low level of industrial power needs in the holiday week is demonstrated by (1) steel production, which fell back to 51% of capacity and (2) auto output of 34,000 against 92,000 the week before.

—•—

Optimism that resulted in exceptional January shoe production still had the trade hurting in May.

Figures for that month, just made public, showed only 44-million pairs produced, 11% less than a year ago.



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"Girl most likely to succeed, it says in my class yearbook. And look at me now. Stuck with all these darn bills to mail out—in the old messy way, licking and sticking stamps and envelope flaps. Phooey! Tomorrow I make another pitch for a postage meter . . . and they better listen!"

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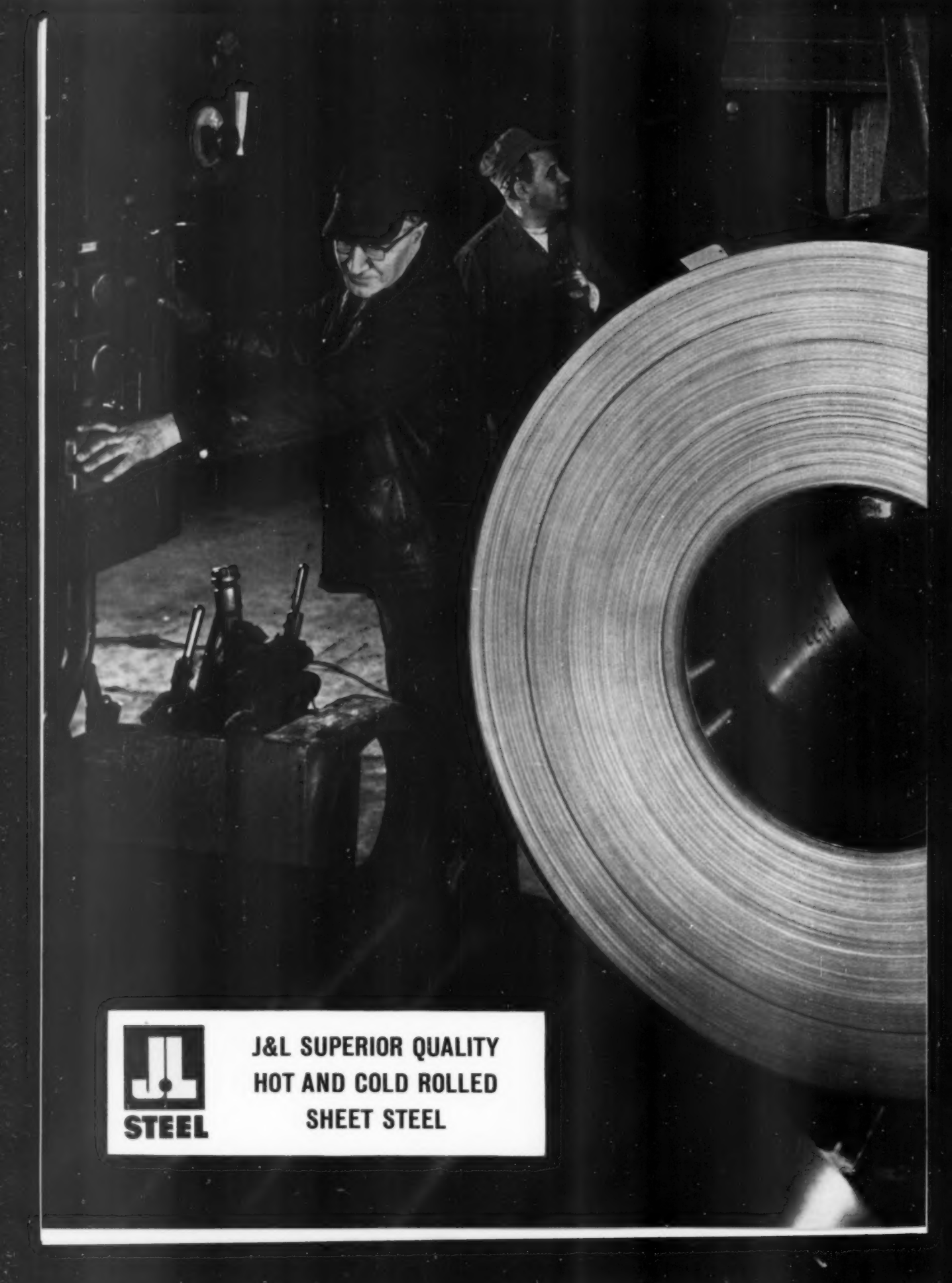


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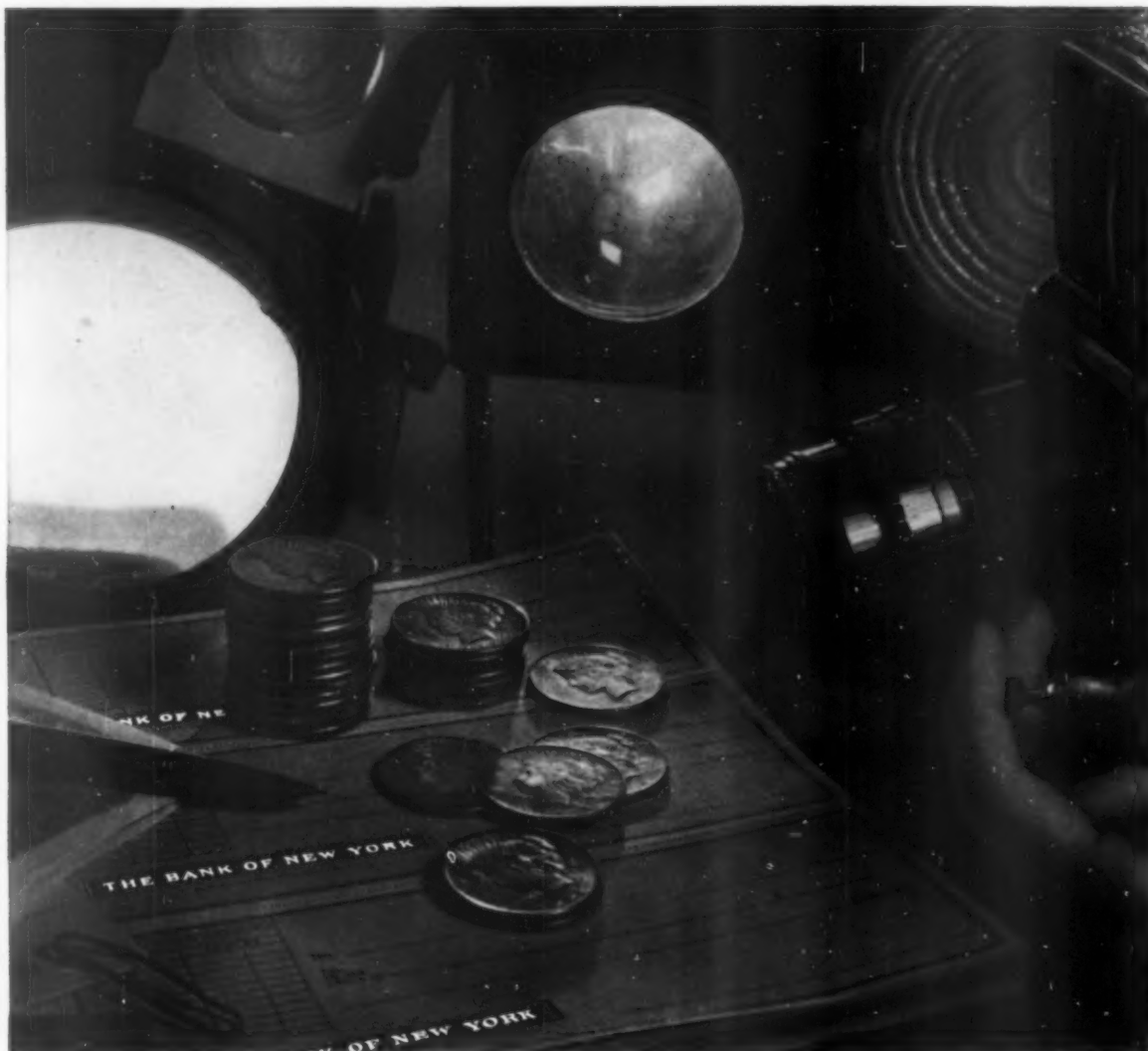
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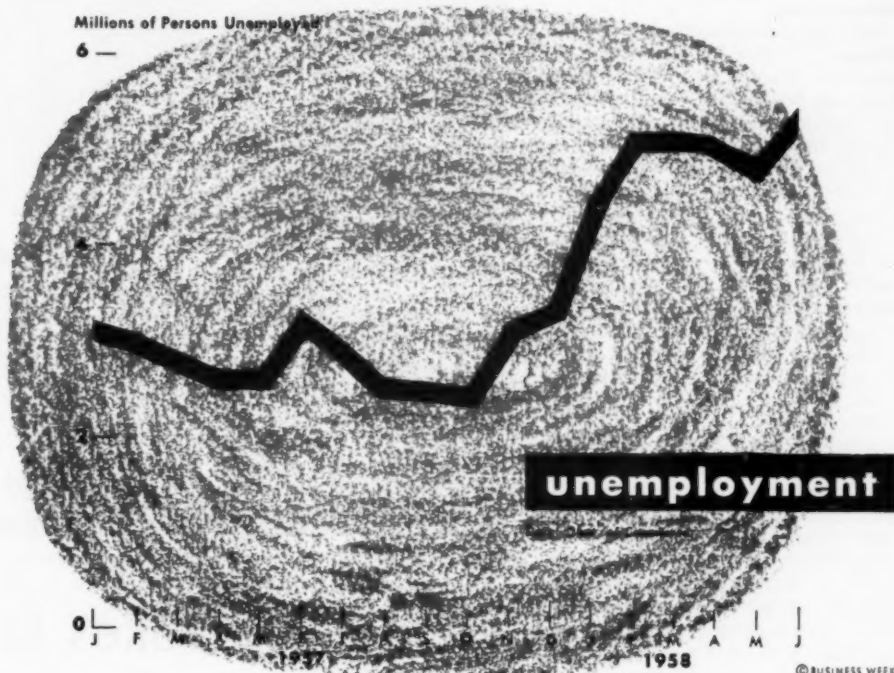
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IN JUNE:

More Jobless, but More Jobs

This week, the government presented business with a set of figures on employment and unemployment that were more cheerful than they looked.

These were the figures for June, a month when the economy had to demonstrate how readily it could absorb the annual flood of school and college graduates. The labor force grew suddenly as 2-million graduates, students, and boys and girls quitting school swarmed out of classrooms and started looking for work.

Fortunately, business activity was rising, too. For the first time in 18 months, factory payrolls grew more than seasonally—manufacturing industry added 156,000 workers. Non-farm employment in general rose 440,000. What happened on the farm isn't quite clear. In cold figures, the rise of only 500,000 in employment would be less than seasonal. But the June employment count was taken during a week of

unusually bad weather (June 8-14), and this may have distorted the picture in farming as it undoubtedly did in outdoor construction.

In any event, farm and business absorbed more of the newcomers to the labor force than most people had expected. Economists working for government and industry had feared unemployment might rise even to 6-million. But more than half the teen-agers who entered the labor market found jobs (they aren't counted in the labor force unless they are actively seeking work), and unemployment among adult males actually dropped.

• **The Dark Side**—Even so, unemployment did rise—and sharply—to 5.4-million (chart). It stands at its highest point, in absolute figures, since the wartime labor shortage took hold in 1941 and started beating the total of unemployed down toward a negligible level. Seasonally adjusted, though, the rate

of 6.8% unemployed is well below the recession's peak of 7.5%, reached last April.

In a nutshell, total employment rose in June by 900,000, while unemployment rose by 500,000. This makes a total of 65-million employed, 5.4-million unemployed. The number at work in June was still 14-million fewer than in the same month last year, but about half of this difference is accounted for by a 760,000 decrease in farm employment.

The paradox of high unemployment in a period of improving business is one that seems likely to be characteristic of the coming year (BW—Jun. 14 '58, p. 137). It reflects both the increasing number of workers and the decided increase in output per worker.

• **What to Expect**—Government experts feel that June's unemployment is the high water mark for the year, that monthly totals will diminish at least un-

til November, when the winter slack-off begins.

"I think we can now say definitely that the economy has touched bottom," says a Labor Dept. economist who is not noted for his optimism. Labor Secy. James P. Mitchell himself had been among those, little more than a month ago, who had thought a 1-million rise in unemployment was possible in June. The actual 500,000 rise, the experts point out, is only about average for the postwar period.

The longer-term outlook for unemployment is still being interpreted conservatively. The President's Council of Economic Advisers has drawn up a forecast that unemployment will average around 5-million through the second quarter of 1959, unless business picks up faster than the council anticipates on today's evidence.

- **Strong Points**—The most encouraging aspect of the June report was the over-all rise of 156,000 in manufacturing employment. The only manufacturing group that continued to report a significant decline in employment is the machinery group. The non-durable goods industries accounted for two-thirds of the rise.

Even with this gain, total manufacturing employment of 15.2-million was still well below the 16.8-million of June, 1957. But economists say the trend, rather than the absolute figure at a given time, is the thing to watch. And there was one other clear sign that economic activity quickened in June: The average work week increased rather sharply from 38.6 hours in May to 39.2 hours in June. This is regarded as a good barometer of industrial activity, because the first increases in factory output are usually obtained by working the present force for longer hours rather than by hiring more workers.

Of the 2-million, mostly graduates and students, who joined the labor force in June, 60% had found jobs by the middle of the month, when the survey was completed.

- **Mature Workers**—The ability of young people to find jobs more readily than expected was a pleasant surprise to the statisticians, but government economists attached greater significance to the improvement in employment among older workers last month.

After rising continuously from month to month since last fall, the total of unemployed men over 25 years old was reduced by 120,000 to a new level of 2.2-million; the total of unemployed women over 25 was reduced by 50,000. Moreover, the number of workers who have been unemployed longer than 15 weeks dropped sharply to 1.6-million; in the depths of April, they numbered 1.9-million.

- **Where They Gained**—Also hopeful was the evidence that employment was

boosted in the heavy goods industries hit hardest by the recession. Auto employment showed no month-to-month change in the survey week, but sizable gains were chalked up in plants producing steel, fabricated metals, and electrical equipment.

Construction jobs expanded by nearly 100,000 during the month, while employment in trade and services increased around 300,000. A better than seasonal gain in the nation's stores reflected a revival in retail business since the winter slump.



'COPTER-BORNE "Skycaster" patrols highways, directs motorists, and spots accidents.

Traffic Cop Takes to Air

A Houston radio station and a local helicopter service have just closed a deal that promises to help motorists beat the traffic jam and at the same time rack up a nice little profit for both parties.

Ken Withers, president, and top assistant, Hal Conner, of the two-month-old Helicopter Airlift Co. have been trying to sign up clients for their new service. They have been lining up package deals, whereby a client contracts to use so many hours of 'copter time over a given period, and Airlift will run the errands with Bell 47-Hs. The tab is \$65-an-hour.

- **Operation Skycast**—Withers called on Fred Nahas, president of radio station KXYZ, who promptly signed up for five hours a week, with an option on five more. Nahas then took his idea to the city traffic director. His proposition: "Provide me with a traffic cop for an hour a day, and I'll provide a newscaster and a helicopter at no cost to the city. We'll fly at peak traffic times and we'll radio conditions at various bottleneck points on the basis of at least six 'skycasts' an hour. If there's an accident anywhere, the cop

in the 'copter can direct things from the scene."

The traffic department snapped up the idea. The police departments of other large cities, including New York, Chicago, and Los Angeles, use 'copters somewhat similarly, and Houston's traffic department had been trying to get its city council to buy and man a 'copter.

- **Sponsor to Order**—With his package in his pocket, Nahas next approached the Texas National Bank. A week later, the bank picked up the package at \$865 per week for 20 weeks, starting July 7. The package costs Nahas \$325 in helicopter time plus the time of a newscaster who is already on the payroll.

- **Schedule**—The skycasts the bank bought will run five days a week from 7:15 a.m. to 8:15 a.m. Nahas' option on five more hours a week is for an identical show that would run from 5 p.m. to 6 p.m.

Withers is so pleased with the deal that he plans to try to sell Nahas' idea in Chicago and Cincinnati, where Helicopter Airlift Co. also operates a whirlybird service.

Getting the Budget Back in Line

- Budget makers want a stripped-down estimate of expenditures and receipts for the fiscal year.

- They fear the effects of another year of unrealistic spending targets and inflated collection goals.

- Preliminary figures indicate that the deficit for fiscal 1959 will run between \$8-billion and \$13-billion.

For a year now, the budget of the U. S. has been puffing and grinding and throwing off sparks, without a chance of settling into the smooth performance budgets are designed for.

It has been used to further an economy drive that never really got started, then a spending push that still hasn't pumped out any extra dollars, and—to top the confusion—as a device to try to keep businessmen cheerful in the face of the recession.

Tired of such shenanigans, fiscal experts in the Administration want to go back to first principles the next time they get a chance. That will be a few weeks after Congress adjourns, when the Administration publishes the annual budget review for the fiscal year that began this month.

- **Stripped Down**—If the experts have their way, it will be a document stripped to the fundamental: estimating, as accurately as possible, expenditures and receipts from now to next June.

Their preliminary figures show deficits ranging from \$8-billion up to \$13-billion. The task of the budget review is to select a best guess from this range, based on what Congress does between now and adjournment and on readings of the business outlook.

- **Curb on Goals**—Some key budget-making officials fear that another year of unrealistic spending targets and inflated tax collection goals will seriously undermine confidence in the fiscal reliability of the government.

Treasury officials in particular are sensitive to reverberations from last autumn's drastic hold-down on spending, when businessmen complained that properly presented bills were not paid because of lack of cash in the Treasury.

The return to the fiscal facts of life centers in two areas:

- **Defense Dept. is starting a campaign to convince businessmen there will be plenty of money in the cash drawer this autumn and winter.** Unlike a year ago, officials insist, the public debt ceiling fixed by Congress will not be used as an excuse to delay payment of bills (BW—Jul. 27 '57, p. 42). A memorandum from Defense Secy. Neil McElroy to his top civilian aides directs them to keep pay-

ments flowing smoothly for approved projects, even though apportionments have not been made yet for the new fiscal year. The word is being passed that the debt ceiling will be raised in plenty of time this year to keep sufficient funds on hand.

The Treasury Dept. will come up with an estimate of receipts that fully acknowledges the recession.

I. Drop in Receipts

Last January, with the recession four months along, the budget predicted a \$2-billion rise in receipts for the current fiscal year. This implied practically a boom year for business in calendar 1958, with personal income rising \$9-billion and corporation profits holding to the 1957 level.

The new estimate will slash expected receipts about \$5-billion, down to \$69-billion or so. This level implies personal incomes only a little higher than 1957, and corporate profits down to \$37-billion compared to last year's \$41.2-billion.

- **Out of Line**—Administration insiders make no secret of why they brushed aside the recession in the January estimate of tax receipts.

In December, when they had to decide on their budget estimates, they were still trying to assess the trend. It was impossible to guess how deep or how long the dip would be. So they deliberately chose an estimate in the high range of possibility, assuming a quick and strong recovery.

In the December discussions, Treasury technicians wanted to estimate receipts at \$72-billion, instead of the \$74.4-billion finally chosen. A leading spokesman for the higher figure was Raymond J. Saulnier, chairman of the President's Council of Economic Advisers.

Now key officials are convinced that the recession is all but over, and that a return to fiscal realism is called for.

- **Hot Debate**—There will still be a hot debate over the exact level of receipts.

Treasury Secy. Robert B. Anderson, whose department is responsible for tax collections, has been saying that re-

ceipts will be in the neighborhood of \$70-billion. Some of Pres. Eisenhower's aides feel this may be trimmed \$1-billion by the time the budget review is published.

But technicians of the Joint Congressional Committee on Internal Revenue have told Congress to expect less than \$67-billion, based on personal income remaining at last year's level, and corporation profits dropping to \$34-billion.

- **Argument**—White House economic advisers feel this is writing the recession down too low. They point out that personal income in May hit \$344.5-billion, a billion higher than the average for 1957, and that it has only begun to rise. After a standstill, or even a slight drop in July and August, they think it will move higher before year-end.

Corporation profits—always more mercurial—are admittedly harder to forecast. But Administration economists expect a relatively rapid rise in profits, once sales expand, due to cost-cutting put into effect during the recession. This is their reason for putting the corporation tax take higher than the joint committee's staff.

II. Rise in Spending

There's no comparable debate yet over spending, but one may flare up once Congress goes home. Budget Director Maurice Stans estimates that spending will rise somewhere between \$4-billion and \$6-billion over the \$73.9-billion estimate of last January. Congress is still debating crucial spending programs, however, and the Budget Bureau can't come up with a firm estimate until the session closes.

- **No Crisis**—McElroy's campaign to reassure businessmen stems from persistent reports that the Administration intends to repeat last year's slowdown on payments (BW—May 31 '58, p. 21).

In a background memorandum, McElroy refers to "needless apprehension about a financial crisis," with rumors about postponed contract settlements. The Pentagon is telling arms makers that last year's squeeze definitely will not be repeated.

One reason for McElroy's confidence is that military spending, in fact, is not straining at budget levels. It now seems likely that the fiscal year that ended June 30 ended below the budget—around \$38.9-billion, instead of the target of \$39.1-billion. This shrinkage is a holdover from last year's economy drive.

This expansion will be felt from now on, as important new contracts are pumped out. But the expected rise in

military spending plays a relatively small part in the \$4-billion to \$6-billion rise foreseen by the Budget Bureau.

The military rise will be the last figure settled on, but the guessing now is that it will not be more than \$500-million over the January budget.

• **Civilian's Share**—The rest of the increase is for purely civilian purposes, except for a possible \$100-million rise for atomic energy and about the same for the new outer space agency.

An anti-recession package accounts for \$2-billion of the scheduled rise, headed by \$1-billion for purchase of mortgages by the Federal National Mortgage Assn. There is a chance that all of the sum might not be used. If interest rates drop far enough, there will be no reason for mortgage holders to sell to FNMA. But in the case of Veterans Administration mortgages, the drop would have to be below 4%.

Federal payments into state unemployment insurance programs are expected to rise \$600-million; acceleration of water resource projects is down for \$200-million, and another \$200-million is being added for construction and modernization of federal buildings.

Highway expenditures, which come from a trust fund and therefore are not included in the traditional Administrative budget, will rise about \$100-million.

• **Other Programs**—Something between \$2-billion and \$3-billion will be added for programs not connected either with defense or the recession.

The biggest is \$1-billion for agriculture—and this may turn out to be on the low side. Some estimates run as high as a \$1.4-billion rise.

Pay raises voted by Congress in excess of the Administration's budget recommendation will cost \$500-million. A payment into the Civil Service retirement fund, if approved, would cost \$600-million.

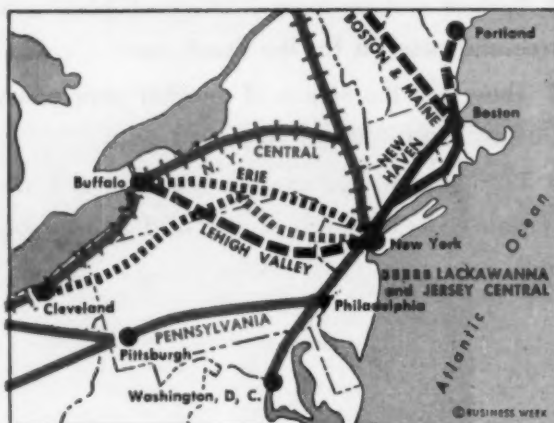
The action of Congress to raise first class letter mail only to 4¢ instead of 5¢ added \$200-million to the budget of the Post Office Dept.

• **Lower Interest Rates**—In this list of increases there is only one bright spot: A drop in interest rates will cut the cost of carrying the public debt by a half-billion.

The Budget Bureau has already made one bad estimate of expenditure trends since the recession began. Stans thought the second quarter of 1958 would show a marked increase. But spending stayed just about on a level.

It's possible that Stans is again overshooting, and that outlays will not reach even the smaller of his two figures. But so far, not even Administration critics in Congress are raising this question. They are apparently convinced that the long predicted spending rise is finally under way.

Rails Win a Precedent



RAILROADS IN TROUBLE and pushing hardest for local aid serve chiefly the Northeast.

The New Haven RR this week had the city of Boston crying "Crisis!", the state governor and the legislature denouncing it, and 10,000 commuters cursing it. Out of it all the New Haven won a precedent that could bring better health for itself and other ailing railroads.

The cause of all the shouting was the New Haven's 29-hour cessation of all passenger service on its Old Colony line, which runs out of Boston into Southeastern suburbs and Cape Cod. At 12:05 a.m. Wednesday it ran what it called the last Old Colony passenger train. At 5:20 a.m. Thursday it resumed its entire service on the line.

In the hours between, it won the precedent of community-subsidized commuter service. It is because they carry heavy loads of commuters and lose heavily on the service that most railroads in the Northeast (map) are in poor financial condition today.

• **Year's Work**—For more than a year the New Haven's Pres. George Alpert had tried to negotiate a subsidy agreement (BW—May 25 '57, p. 46). On Tuesday it seemed he had failed. Two weeks before, the New Haven won from a federal court the right to cease its Old Colony service on July 8. Massachusetts' legislature responded with a bill by which Boston and the 37 other cities and towns along the commuter-traveled section of the line would put up \$900,000 to maintain the commuter service. (Two little-used branches of the line would be dropped.) But the bill was delayed, and when the state's senate finally voted on it, it contained a clause that the railroad couldn't swallow. The clause could have allowed the state to use the \$900,000 as downpayment for purchase of the Old Colony line.

That was how things stood Tuesday

night when the deadline for the shutdown arrived. And so the trains stopped running.

• **Business to the Rescue**—Massachusetts' Gov. Furcolo and several state senators spent Tuesday night denouncing the railroad. By Wednesday morning relations between the railroad and the state were so soured that only intermediaries could handle the appeal to the New Haven to reopen its line. John Volpe, Boston contractor and chairman of the city's Chamber of Commerce, spent all day in negotiations—talking with the road's directors one minute, telephoning Gov. Furcolo and the state senators the next. By late afternoon the agreement was settled.

The doubtful clause will be dropped from the bill. The state's supreme court will be asked to decide whether the proposed bill is constitutional, and if so, the legislature will then vote on it. Meantime, the trains will run—and as for the subsidy, the railroad's management is pretty sure it will be approved.

• **Remaining Loss**—Its worth to the railroad as a precedent can be gauged by the operating loss the road will continue to meet on its Old Colony operations. This will be about \$700,000 a year. But the road's management feels it is worth this to gain the leverage for the same kind of operation eventually on its much more heavily traveled commuter services into New York and along its main line into Boston.

I. Facing an Emergency

The New Haven's agreement comes just at a time when the Northeastern roads, generally the sickest in the industry, have sharply stepped up their pressure on state and municipal governments.

for Aid

The ailing railroads have gone about as far as they can in pressing for aid from the 85th Congress. They have spent the last six months giving Congress as gloomy as possible a picture of their future. Within two weeks, after Senate and House work out a compromise bill and vote on it, they will learn how successful their appeals have been.

It's likely the rail industry will get government-guaranteed loans of up to \$750-million, plus changes in Interstate Commerce Commission rules that may make it easier for them to cut service on some lines and to increase the earning power of others.

- **Putting Pressure On**—While they wait, the roads, particularly those in the Northeast, have started pressing harder for the kind of relief that only state and local governments can give. In the last few weeks, in addition to the New Haven's attempt to start subsidized operations:

- The New York Central has warned New York City's Mayor Robert Wagner that, unless he gives it a tax break, it will cease to run its trains into the city and leave bustling Grand Central Terminal as silent as a mausoleum—assuming, of course, that regulatory agencies consented.

- Nine railroad presidents, led by the Delaware, Lackawanna & Western's Pres. Perry Shoemaker, have warned New Jersey's Gov. Robert Meyner that they may not be able to pay \$18-million in state and local taxes due at the end of this year.

- The Pennsylvania RR is pushing a proposal before Philadelphia's City Council that an authority be set up to fix fares and schedules on the railroad's Chestnut Hill Branch—and to reimburse the road for whatever loss it suffers running those trains.

- **Cry for Tax Relief**—The New York Central's threat to quit its service into Grand Central Terminal is more a play for public attention to the road's woes than a serious proposal. It is designed chiefly as another lever in the Central's battle to reduce its New York tax payments. Last year, the road paid more than \$15.6-million in real estate and special franchise taxes to the city. It paid more than another \$5-million in taxes elsewhere in New York State.

Hearings that probably would take years to complete would have to be held by ICC and the state's Public Service Commission before the Central could even remotely hope to drop its service into Grand Central. What it really wants is an agreement to integrate the city's subway system into the



BOSTON's South Station was quieter for a day this week when New Haven shut down its Old Colony line, then reopened it—on promise of a \$900,000 subsidy.

Central's traffic along the underground roadbed into the terminal. This idea, still vague, might be a roundabout way to a subsidy. The Pennsylvania's plan for handling commuter traffic into Philadelphia means much the same.

II. Clutching at Straws

To many it seems that the railroads' efforts to gain tax cuts, municipal and state aid, and their threats to close terminals are all indications that the Northeastern roads, at least, are in the process of clutching at straws to avert bankruptcy.

In a few cases among the most hard-pressed roads, this is just about the truth. The New Haven's heavy debt structure, its reduced freight traffic, and its mounting losses on commuter business force it to operate today on very slim resources. The Jersey Central, which piled up a net loss of \$1.7-million in the first five months of this year, also lives from hand to mouth. The Boston & Maine's losses keep mounting, while the maturity date on some \$47-million of its bonds looms only a little more than 18 months away.

- **Weeding Out the Weak**—Many of the railroads' customers, heedless of the plight of the widows and orphans who are always said to own so much railroad stock, casually assume these days that commuters, long-haul passengers, and freight shippers would all be better off

if some of the more shaky railroads were to go bankrupt.

They cite the cases of railroads that went bankrupt during the Depression of the 1930s. Since these no longer had to pay dividends or bond interest, they often were able to improve service, lay better tracks, buy better equipment.

- **New Conditions**—But the railroads' position in the economy has changed in the last quarter century about as radically as the role of the gunboat in diplomacy.

The trustee of a railroad in receivership in the 1930s could raise money for improvement of the road with good expectation that, once business improved, the road's earnings would easily pay off the debts he contracted. It seems now, to many observers, that only a wildly irresponsible trustee could issue equipment certificates with the same easy expectation of repaying the debts—at least so far as most roads in the Northeast are concerned.

These roads' problems go far beyond present debts and current business conditions. They are bound up much more with their expensive, time-consuming, short-haul freight and passenger services, with the high taxes they have to pay on right-of-way that passes through the closest-settled land in the country, and with the steadily mounting drain of their commuter operations.

Now the roads have a precedent that points the way to one solution of that last problem.

Why Lima Feted a Newspaper's



ONE YEAR OLD, Lima (Ohio) Citizen sports a 96-page special—shown by paper's general manager, Wayne G. Current.

The festivities that jammed two parks in Lima, Ohio, on July 4 (pictures), and gave the city's youngsters a day to remember, marked something far more unusual than an ordinary Independence Day observance. Lima's 60,000 residents were celebrating not only the birthday of their country, but the birthday of the city's second and newest newspaper, the Lima Citizen, just one year old on July 1.

That in itself was an extraordinary event in these times when newspaper funerals are more prevalent than newspaper birth celebrations. But for Lima it was more than the anniversary of one more newspaper—for the birth of the Citizen was a community project. For the Citizen itself, it was something out of the ordinary, too; in its first year, the paper—publishing seven days a week—has accomplished the remarkable feat of taking a healthy lead in both circulation and advertising away from the long-established Lima News.

• **Free-for-All**—The Citizen itself was host at the gigantic citywide party. It

invited all residents of the city and surrounding areas to come—distributed free 20,000 soft drinks, 5,000 bags of potato chips, 4,000 ice cream bars, and thousands of other goodies—provided for the youngsters fishing, fireworks, and all sorts of free rides, and for the grownups an Air Force jet plane show, a Navy helicopter, and a beauty show.

At times it seemed to harassed Citizen staffers helping with the program that all of Lima had actually accepted the invitation. That wasn't quite true, but veteran police officials said it was one of the largest crowds in Lima history for a single day's program. Best estimates were that 30,000 people turned up in Schoonover Park for the main events, and several thousand more watched the fireworks.

The Citizen's co-publishers—Sam Kamin and James A. Howenstine, two of Lima's leading industrialists—were so impressed they decided to make the July 4th city party an annual event sponsored by the paper.

• **What Started It**—The reasons that



CITYWIDE PARTY thrown by Citizen to celebrate its first-year gains had many diversions for kids—but free merry-go-round drew one of biggest crowds.

BATHING BEAUTY contest attracted thousands of the Lima residents who flocked to parks July 4 to help Citizen celebrate.



Birthday

prompted the Citizen's burst of spending and those—besides free food and entertainment—that brought Lima residents swarming to the party become clearer in the light of the unusual circumstances of the Citizen's birth.

The story goes back nearly two and a half years. Lima for a quarter century had had only one local newspaper, the Lima News, regarded in the city and in northwestern Ohio as one of the finest smaller city newspapers in the state. It was prosperous, with a daily circulation around 35,000, a solid, able staff.

Suddenly, in February, 1956, with no advance notice, the Lima News was sold by its owners to Raymond C. Hoiles and his Freedom Newspapers, Inc., for a reported \$2.8-million. To those acquainted with what the Hoiles newspapers stood for, the change was a shock. Hoiles is an outspoken publisher who has built up a chain of 11 newspapers across the country that toe the line on editorial policy. That policy has meant vigorous opposition to public schools as socialistic, denunciation of



CO-PUBLISHER, and Lima industrialist, Sam Kamin—greeting youthful birthday guests —finds newspaper business "fun," says Citizen is leading its veteran rival.



FISHING DERBY began youngsters' day; the Citizen stocked Bear Lake with 2,000 fish to give kids a sporting chance, handed out prizes for biggest fish caught.

organized labor, opposition to organized religion, hostility to the United Nations, and potshots at majority rule and a host of accepted institutions.

For News staffers, the change meant even more. Hoiles' company has made no secret of its determination to rid its papers of unions.

• **The Fight Begins**—All was quiet for seven months, until the News came out against an \$880,000 bond issue to replace Lima's antiquated public library; the Hoiles papers believe that public libraries, too, are socialistic. This roused Lima residents to the point where a genuine grass-roots organization came into being, joining more than 100 Lima groups—business and industrial leaders and organizations, labor unions, church groups, parents, dozens of civic and patriotic organizations.

The result, on Election Day, 1956, was the largest favorable vote ever given to a bond issue in Lima history. That led to a feeling among many leading citizens that Lima needed a new newspaper to oppose the Hoiles brand of journalism. Though the project was discussed by small groups, nothing happened until the spring of 1957, when a contract between unions and the News expired, and negotiations ended in May in a strike by the Newspaper Guild.

• **Fast Work**—Then things moved fast. Wayne G. Current, a top ad salesman on the News for 24 years, got to work with other News staffers, drew up a prospectus for a new paper. He approached Kamin and Howenstine, who own and operate Neon Products, Inc., which grossed \$7-million last year on electric neon signs. They knew nothing about newspaper publishing, but, Kamin says, they knew Lima was aroused and resentful at the "philosophies being spread around here," and were convinced it "would take a good newspaper to its heart."

They agreed to put up \$100,000, and set aside an additional \$200,000 in stock for public sale. More than 1,100 Lima residents chipped in at \$25 a share, most taking only a couple of shares or so, with only 150 buying more than five.

Current, named general manager, lined up a complete newspaper plant in Charleston, W. Va., trucked it to an empty factory building owned by Kamin and Howenstine a mile from the center of Lima. Staff was no problem: 76 of the News staff of about 150 in all departments, and 130 of its 164 carrier boys, switched to the Citizen.

"I never saw anything move as fast as we did once we got rolling," says Current. "On May 10, 1957, this was just a big, empty barn. Less than 60 days later—on July 1—we rolled off our first edition of the Lima Citizen, a special, 64-page issue."

• **Year's Reckoning**—A year later, publishers Kamin and Howenstine sum up

their plunge into journalism—in Kamin's words—like this: "We haven't made any money yet—in fact we've lost some—but we've had a world of fun at it."

Though they devote most of their time to their other interests, the co-publishers maintain close touch with the Citizen, spending an hour or so at the plant daily. They have also maintained the close community contacts that helped create the paper, through a weekly luncheon with Lima leaders, three or four at a time, to hash over local problems and policies.

• **What the Figures Show**—While top Citizen officials are reluctant to open their books completely, they admit the new paper is still not making money. A reliable estimate pegs the monthly loss at around \$4,000, but Kamin says, "We are getting very close to our break-even point now."

That loss, however, is considerably under what Citizen officials estimate the competing News is losing monthly. Publisher E. R. McDowell of the News would say only, "We here at the News believe both papers are losing money."

Figures on how the two papers are faring in advertising and circulation are easier to come by:

• **In advertising**, the Citizen shows sizable leads. According to figures prepared by Shannon & Associates, national newspaper representatives of the Citizen, it ran almost double the lineage of the News the past year in all three major ad categories—retail, classified, and national. McDowell of the News says, "We have picked up some 200 advertising accounts we had lost," but admits the News is behind its rival.

• **The Citizen hit 22,000 circulation the first day**, and according to Audit Bureau of Circulation figures averaged 24,060 daily and 24,891 Sunday for its first three months. In the same three months the News, according to ABC, slumped from the pre-Hoiles 35,000 to 15,363 daily, 17,390 Sunday. New ABC figures won't be available until fall. Citizen officials peg its current circulation at 24,000, the News at 17,000. McDowell claims the News has regained 30% of last fall's loss, but admits it's still behind the Citizen.

• **Battle Ahead**—But the battle isn't ended. The Citizen's publishers and McDowell agree on one thing: In the long run, Lima isn't big enough to support two dailies. Both express a firm determination to stick it out.

Says McDowell: "We didn't come in here and sink \$3-million in this company to walk away from it." Say Kamin and Howenstine: "The Hoiles organization can continue pouring money into the News if it chooses. Eventually, something will have to give. And we are here to stay. Lima is our home, where our roots are, and this paper belongs to this community."

the COMPETITIVE

IN 1955 Energy came ...
... from these ... used in these
sources ... quantities

COAL	447-million tons
LIQUID PETROLEUM	2.8-billion bbls.
WET NATURAL GAS	10.1-trillion cu. ft.
HYDRO	120-billion kwh

ATOMIC POWER

Atom Fuel

When the atomic power industry celebrates its silver anniversary around 1980, it will be a \$10-billion midget that still will provide less than one-tenth of the muscle that drives the U.S. economy.

That's the conservative conclusion of a study released this week by the National Planning Assn.'s Committee on Productive Uses of Nuclear Energy.

The old standbys—coal, oil, and natural gas—will still be plentiful enough and cheap enough, the study concludes, to make major cost-cutting imperative if the atom is to grab even this small slice of the total energy market.

Even so, the next 25 years should see American industry in the early stages of an atom-sparked transformation that may produce such spectacles as creation of major steel complexes in Minnesota and on the Atlantic or Gulf coasts.

• **Thoroughly Studied**—Atomic energy, as the "glamor" fuel of our day, has been the subject of numerous studies. NPA itself, with financial help from the Ford Foundation, has conducted eight studies since 1954—most of them concerned with the atomic outlook abroad.

Supply and demand forecasts for conventional fuels have been investigated by such groups as former Pres. Truman's Paley Commission. The California Institute of Technology has peered way into the 21st Century to gauge our future energy and manpower needs (BW—May 26 '56, p113).

• **Still New Findings**—But NPA believes its new study is the first to assess both the impact of nuclear energy on market prospects for conventional fuels and the effect of conventional fuel price and availability on the introduction of

IMPACT of nuclear power by 1980

... meeting these % of the energy market	BY 1980 without atomic power the market would be ...		But atomic power will change the market to ...		competitive loss
	... this much	... this share	... this much	... this share	
29%	851-million tons	27.8%	735-million tons	23.7%	116-million tons
40.5%	6.2-billion bbls.	45.0%	5.8-billion bbls.	41.5%	410-million bbls.
27%	18-trillion cu. ft.	24.1%	17.4-trillion cu. ft.	23.1%	538-billion cu. ft.
3.5%	277-billion kwh	3.1%	271-billion kwh	3.0%	5.6-billion kwh
ATOMIC POWER 8.7%					

Costs Must Be Cut

atomic energy. NPA also goes a step further to project what will happen to the American economy during this process.

Perry Teitelbaum, the economist who wrote the report under the guidance of the 17-man NPA committee, concedes that any look 25 years into the future is only "educated guessing." But the study is bound to stir new controversy among those who have a stake in such issues as private-versus-public development of atomic power, oil imports, oil and gas conservation, and the mineral tax laws.

I. The Price Picture

A big key to America's industrial progress has been the abundance of low-cost fuel and energy sources. And the location of these resources has had a major effect on the economic development of regions within the U.S.

The textile industry was attracted first to New England by the waterpower. Similarly, huge coal supplies later attracted the iron and steel industry to the area around Pittsburgh. And more recently, oil and gas resources have enabled Texas and neighboring states to attract such industries as glass manufacturing, petrochemicals, magnesium, and aluminum.

However, with the boom in energy demand, the days of really cheap energy are over. Hence the opportunity for atomic energy, especially in areas like New England that have high power costs.

• **Forecast**—Some of NPA's findings track pretty well with previous studies. For example, NPA sees total energy demands doubling by 1980, with elec-

tric power consumption alone tripling in this period. And Teitelbaum goes along with the prevailing view that nuclear energy will begin to make a big showing in the electric utility field during the 1970s.

But NPA's experts break new ground with this forecast:

- Only a "moderate" price increase—say, 15% to 25% in stable dollars—need be expected for coal and oil during the next 25 years.

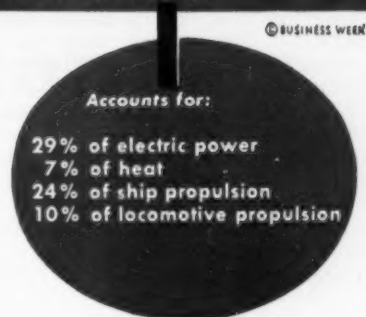
- As a result, the atomic industry can't depend on the spiral of conventional fuel costs to make nuclear power competitive; it must cut its own costs drastically.

- **Grain of Salt**—These conclusions clash sharply with some of the assumptions that have been harbored by the champions of the atomic era. Generally, nuclear enthusiasts have uncritically accepted predictions that oil and gas—even coal—will become more and more scarce, and more expensive. Teitelbaum accepts this thesis only with a huge grain of salt.

He makes these points:

- With coal consumption running at half a billion tons annually, government experts have estimated U.S. coal reserves at 943-billion tons. One-fourth is recoverable at present prices. The NPA panel sees no reason for major coal price increases.

- Although so-called "proved" reserves of petroleum are estimated at only 35-billion bbl.—a 13-year supply—another 184-billion bbl. already discovered could be produced with more economic recovery methods. In addition, oil shale reserves have been estimated at 900-billion bbl., of which 45-billion bbl. could be produced near



present prices with known techniques (page 62).

This synthetic oil potential—taken with the expected increase in imports of cheaper foreign oil—is seen as an adequate brake against a major jump in oil prices.

Far more than a 25-year supply of natural gas exists, too, says NPA. But average prices can be expected to rise rather rapidly until they "catch up" with coal and fuel oil prices.

Everything considered, Teitelbaum doesn't look for more than a 25% increase in conventional fuel costs by 1980—and it could be much less.

II. The Market

Obviously, then, atomic energy must compete on the coal and oil industries' own ground.

The NPA panel, purposely sidestepping the question of government's proper role in atomic development, appears optimistic that the cost of atomic power will be cut.

It forecasts that atomic energy will make some inroads on the propulsion market—accounting by 1980 for 24% of the push behind ships and 10% of railroad locomotion.

However, the biggest displacement of conventional fuels—as might be ex-

pected—is seen coming in the boiler fuel market.

- **Power Stations**—The report foresees a cost of 12 mills per kilowatt-hour in large-scale nuclear plants by 1965—and a cost of only six mills by 1980. (This compares with costs ranging from 20 to 60 mills per kwh. in the handful of atomic plants already in operation.)

The study predicts that nuclear power will be competitive first in New England, where transportation factors make conventional generating costs 50% higher than the national average. From there, it is seen spreading until finally it begins to displace conventional fuels for industrial purposes even in the coal- and oil-producing regions.

According to the NPA projection, three-fourths of all new power plant capacity built between 1975 and 1980 will be nuclear. Atomic plants will account for 21% of total power generation by 1980—a much more conservative figure than the Atomic Energy Commission's estimate of 38%.

Next to power, the most important use for atomic energy is expected to be production of heat—supplying 15% of the combined requirements for such industries as iron and steel, chemicals, petroleum refining, cement, and paper.

III. Nobody Loses

As a result of nuclear energy's competitive entry into all these fields, the oil industry stands to lose up to 5% of what its market would otherwise be. Coal's loss of potential market is higher—16%-17%.

- **General Benefit**—Of one thing, NPA has little doubt: The nation as a whole will benefit more from atomic energy than the projections for 1980 might indicate.

For example, since fuel transportation costs will no longer be a factor, energy ultimately will cost no more—and no less—in one region than another. Thus, industrial location will be determined more by other factors such as manpower, nearness to market, and access to raw materials.

The NPA committee's most interesting speculation on this point goes as follows:

"It is possible that an iron and steel complex might evolve in Minnesota as the result of cost trends for conventional energy and the savings made possible by the application of high-temperature nuclear heat in pig iron production in place of the present cokeblast furnace technology."

And again: "... An Atlantic or Gulf Coast iron and steel complex in 1975 or 1980, using nuclear heat and situated close to major markets, might compete successfully with more conventionally located capacity along the Great Lakes."

Locusts Threaten U.S. Crops

This is a big year for most insects, but the greatest potential plague is the trillions of grasshoppers that are incubating in the pasture and farm country of the midlands.

Through eons of time, men and insects have been at war. History is replete with tales of human suffering and, sometimes, political upheaval when the insect has gained the upper hand.

In modern times, scientists have developed ever-improving insecticides that keep the balance tipped in man's favor. But once in a while, the insect still threatens to get out of bounds. This week is that kind of time on millions of acres of valuable pasture and crop lands in the U.S. midlands. A plague of grasshoppers infests the countryside and, unless checked immediately, could chew the grass cover down to bare ground and lay waste to field crops.

- **Incubator Weather**—The 1958 grasshopper plague owes its existence mainly to two factors, chief of which is the weather. It was a cool wet spring—the kind that delays the hatch. Once the hatch began, several weeks of continuously warm dry weather assured the survival of trillions of young 'hoppers.

The second factor is that in the affected areas, millions of acres of land—with federal encouragement under the soil bank—have been reverting from field crops to grass. The grassy habitat is the one in which most grasshopper eggs are laid and in which they thrive best.

- **Year for Insects**—This year looks like a big one for some other kinds of insects, too. The European corn borer and the boll weevil are heavier than normal in parts of the Mississippi Valley, and the chinch bug is attacking cereal grains in Oklahoma, Kansas, and Missouri. In the West, the beet leaf hopper—which carries a plant virus fatal to beets and tomatoes—is present in the heaviest numbers since 1926. But in the insect world, entomologists say, 1958 is principally the year for the grasshopper.

- **How Bad?**—The uprising—probably the worst in nearly 20 years—is heaviest in West Texas, the Oklahoma Panhandle, eastern Colorado, western Kansas, and northern New Mexico.

How many acres, over-all, are endangered is not known. As has so often happened, insects and politics get mixed up together. Democratic Govs. Stephen L. R. McNichols of Colorado and George Docking of Kansas have asked the Republican Administration to declare the entire infested sectors "disaster areas" and to send in big-scale federal aid. Pres. Eisenhower, on the advice of Agriculture Secy. Ezra Benson, declined. Historically, the Agriculture Dept. has

held farmers responsible for insect control in fields with maturing crops.

"How bad is it? Well, that seems to depend on whether you're a Republican or a Democrat," says one Congressional source. The Agriculture Dept. points out that this year's infestation does not compare in size with those of the late and middle 1930s. In 1936, grasshoppers attacked U.S. crops worth \$128-million and destroyed \$102-million of them. Control specialists could save but \$26-million.

- **On Slaughtering**—The trick in killing grasshoppers is to get them while they're young. Most 'hoppers go through five instars (definite stages of growth) before they acquire wings. During the five instars, they can march like a pillaging army, and the devastation is often as complete as an army leaves behind.

Leo Iverson, an Agriculture Dept. specialist, says the next week or so will determine whether the insect is to score another victory. "We've got to get them before they get wings," he says.

That's why upwards of 50 big spray planes are flying from sunup to sundown over vast expanses of range land, blowing out a mist of a solution that consists of diesel fuel and Aldrin, a high-potency grasshopper killer manufactured by Shell Chemical Corp. Individual farmers in the area are keeping smaller crop-dusting planes busy, too.

- **Big Business**—In North America, entomologists have identified about 82,500 kinds of insects, of which they classify roughly 10,000 as public enemies. Periodically, one kind becomes a serious threat.

But the Agriculture Dept.'s Bureau of Entomology & Plant Quarantine points out that in the average year insects cost the U.S. at least \$4-billion. These experts calculate that control programs run at least \$400-million a year (ranging upward from small household purchases of mosquito repellent to aerial spraying of entire forests) and that, despite these control measures, losses to crops, livestock, forests, households, and buildings near \$3.6-billion.

The National Agricultural Chemicals Assn. estimates that more than \$20-million a year is spent on research and development of insecticides.

It is a dynamic field for chemical companies. Commerce Dept. surveys show that sales of insecticides nearly tripled from \$118.9-million in 1947 to \$303.7-million in 1955.

How to increase your out-of-town sales...

Ask for the order by Long Distance

Out-of-town business *is* harder to come by these days.

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You have to call on customers and prospects more *often*.

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You can do it all—quickly and cheaply—
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Try it and see for yourself.

**YOU SAVE MONEY
WHEN YOU CALL STATION-TO-STATION
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For example:	Day Rates (first 3 minutes) Person-to- Person	Station-to- Station	Each Added Minute (applies to all calls)
Philadelphia to Washington, D.C.	85¢	60¢	15¢
Little Rock to Nashville	\$145	\$105	30¢
New York to Columbus, Ohio	\$175	\$125	35¢
Denver to Chicago	\$210	\$150	40¢
Los Angeles to Boston	\$350	\$250	65¢

Add 10% Federal Excise Tax

**BELL
TELEPHONE
SYSTEM**



Antitrusters Get After 'all'

Civil suit seeks to break up agreement under which Monsanto makes "all," top-selling low-suds detergent, and Lever Bros. markets it. The companies say they'll fight.

A year ago last May, Monsanto Chemical Co. started the soap and detergent business by turning its big-selling detergent "all" over to Lever Bros. Co.

At the time, it looked like a smart move for both companies. But this week, the Justice Dept. moved in with a suit to call the whole deal off. "all" was the spearhead of Monsanto's post-war drive to get into the consumer market. It was developed in 1947 at the request of Westinghouse Electric Corp. as a low-suds detergent for automatic washing machines. A dishwasher detergent was added later.

Sales zoomed. By 1955, "all" was the nation's leading controlled-suds detergent and No. 4 among all detergents. But success itself blunted Monsanto's spearhead.

• **Problems of Success**—The three leading makers of cleansers—Procter & Gamble Co., Colgate-Palmolive Co., and Lever Bros.—launched their own low-suds detergents. Monsanto found it couldn't match the big promotional and advertising bankrolls that these giants could swing.

Then, too, the soap companies are among Monsanto's best customers for the materials they use, and the chemical company didn't relish a drawn-out battle with these customers. Moreover, while Monsanto was pursuing the housewife, its 35% share of the country's phosphate production was being endangered by competition.

• **Backing Away**—In the spring of 1957, Monsanto decided what to do about these problems. It worked out an agreement with Lever Bros. under which it continued to manufacture "all" while Lever took over selling rights to the product.

This put Monsanto back into its role as an industrial supplier. And it gave Lever Bros., whose Vim detergent was lagging, a strong product with which to compete against P&G and Colgate. Lever says "all" still leads the low-suds detergent field.

• **Antitrust Charge**—This week, the Justice Dept. moved to upset the whole arrangement. It served Monsanto and Lever Bros. with a civil antitrust complaint, suing to force Lever to get rid of "all."

Both "all" and the whole group of detergents have a market importance that assures a hard-fought court case. The Justice Dept. says that detergents accounted for 89% of cleanser sales in

1956, compared with 26% in 1948. Monsanto says it will oppose the suit "vigorously." Lever Bros. says its chief legal counsel is on vacation and "we haven't even seen the complaint yet." But, a spokesman added, "We are confident that the acquisition will be upheld."

• **Narrowing the Issues**—The Justice Dept. complaint says the arrangement between Monsanto and Lever Bros. violates the Clayton Act's prohibition against mergers or acquisitions that tend to lessen competition.

Monsanto's early reaction touches on what may prove to be a vital issue: the definition of the market in which the competitive effects are to be judged.

"Based solely on reading of press reports," Monsanto says, "we feel that the charges must be founded on incorrect information and that some of the statistics are confusing the field of low-sudsing synthetic detergents for automatic washing machines with the general field of detergents."

Clearly, the antitrusters are making no such distinction. Their share-of-

the-market figures in the complaint are based on the broad market for packaged and liquid household detergents. Prior to the Monsanto agreement, Justice charges, Lever had 16% of this market (Lever sold \$91-million of all brands of detergents) and this share rose above 20% after "all" was added to the line.

The complaint concedes that "all" was developed principally for automatic washers, but it cites the product's own advertising—"perfect for general cleaning"—to back up its inclusion in the broader market. It quotes advertising that "all" is suitable for use in any washer.

• **Consequences**—It isn't clear at this point who would get the lucrative business of selling "all" if the government should win its case. The Justice Dept. apparently has no intention of forcing Monsanto to take back the marketing of its product. Government attorneys suggest that some other company, such as a large distributor of groceries, would probably be happy to take it over, with Monsanto continuing as manufacturer.

However, other observers feel that attorneys for the defendant companies may be able to make a case that it might be hard to find a satisfactory merchandiser for so valuable a product. In the end, this reasoning goes, Monsanto might find itself in the odd position of having to take back an item it doesn't want to handle.



Spreading the News by Hand

For more than a month, hardy individuals like those in the picture, buying a few papers for resale, were all that stood between Philadelphia's big afternoon newspaper and the death of its proud boast: "In Philadelphia, nearly everybody reads the Bulletin." Strikes, first by the truck drivers, then by the Newspaper Guild, had effectively throt-

tled normal circulation of the Bulletin and its morning rival, the Philadelphia Inquirer.

On June 1, the Teamsters struck both papers. Later the Guild struck the Inquirer. Observation of each other's picket lines kept both papers from full operation until early this week, when peace was restored.



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How to carry Back out of the backwoods

A violin case must be light in weight, yet it must have great strength in order to provide protection for its fragile load. Good instrument cases are usually made from fine, close grained basswood veneer, much of which is supplied by our Goodman Lumber Division. Choice logs from deep in the vast Goodman forests are carefully graded and only the best are fed into the veneer mills for this special use.

Goodman logging is selective in other ways, too. An intensive sustained-yield forest management program is built around a system of selective logging. This, together with an organized program of cultivation, conservation and reforestation assures a continuing source of supply for the needs of industry.

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In Business

• • •

Banks Sue to Force S&Ls to Stress That Their Shares Are Not Savings Deposits

Embattled commercial and savings banks fired a heavy salvo last week, in the latest flare-up of their long war with the nation's savings and loan associations (BW—Apr. 9 '49, p. 86).

The Wisconsin Bankers Assn. brought suit in Washington (D. C.) federal court to force the Federal Home Loan Bank Board—the “Fed” of the S&Ls—to change its regulations. The bankers claim that FHLBB regulations permit S&L advertising that leads many people to believe that buying S&L shares is the same thing as depositing money in a savings account, thus siphoning money away from the banks.

FHLBB lawyers claim the banks' argument has no merit, but they are preparing for a brisk court battle.

Four Cleared in Miami S&L Case

Federal Judge S. H. Lynn last week threw out of court a 21-count indictment charging that four Miami Beach businessmen had criminally misapplied \$7,084,409 belonging to a savings and loan association and two banks of which they were officers. The men cleared were Leonard Abess, Baron de Hirsch Meyer, George Kennedy, and Sam R. Becker.

The essence of the case was that the four had, as officials of the S&L and the banks, lent money to other companies that they owned. The loans were repaid in full. In throwing out the indictment, Judge Lynn said the grand jury had fallen into the error of thinking that the loans were necessarily criminal under federal law. He added that there might be a question of mal-administration.

Abess and Meyer still face similar charges in the Jacksonville federal court, where they are employing the same defense that was successful in Miami.

• • •

Houston Company Loses Round In Fight Against Oil Import Curbs

The government's voluntary program to control oil imports passed its first court test this week. In Washington, U.S. District Judge Alexander Holtzoff denied a request by Eastern States Petroleum & Chemical Corp. for a temporary injunction against the program.

The Houston company now plans to take the case to the U.S. Court of Appeals for the District of Columbia. After losing its bid for a temporary injunction, company lawyers asked Holtzoff to make the ruling final. The maneuver enabled Eastern States to skip lower court trial and appeal on the basis of Holtzoff's brief hearing.

Eastern States sued government officials running the oil program after the military petroleum supply agency refused to accept deliveries of jet fuel from the company

because of its noncompliance with the voluntary imports program.

In this week's ruling, Judge Holtzoff backed government contentions that the Buy American Act justified the action against Eastern States and that the government was authorized to purchase from selected sources.

• • •

Plane Maker Asks Tax Court to Review \$5.5-Million Refund on Renegotiation

North American Aviation, Inc., always a doughty legal battler, this week asked the U.S. Tax Court to review a Renegotiation Board order that North American refund \$5.5-million to the government for 1954.

The company wants the court to hear the case from scratch, and to rule that North American did not receive excessive profits in fiscal 1954. It charges that the Renegotiation Board, in ordering the refund, did not give sufficient weight to the company's efficiency, and to the hazards of doing arms work for the government. North American has also asked for a review of a \$1.3-million refund ordered for fiscal 1953.

The new action is nicely timed to throw the spotlight on a move by Rep. Cecil R. King (D-Calif.) to amend the pending bill to extend the Renegotiation Act for two years (BW—Jun. 21 '58, p. 42). King wants to make procedural changes, and to allow companies to take their squawks directly to the Court of Appeals.

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British Economist Advises Canada To Continue Its Airline Monopoly

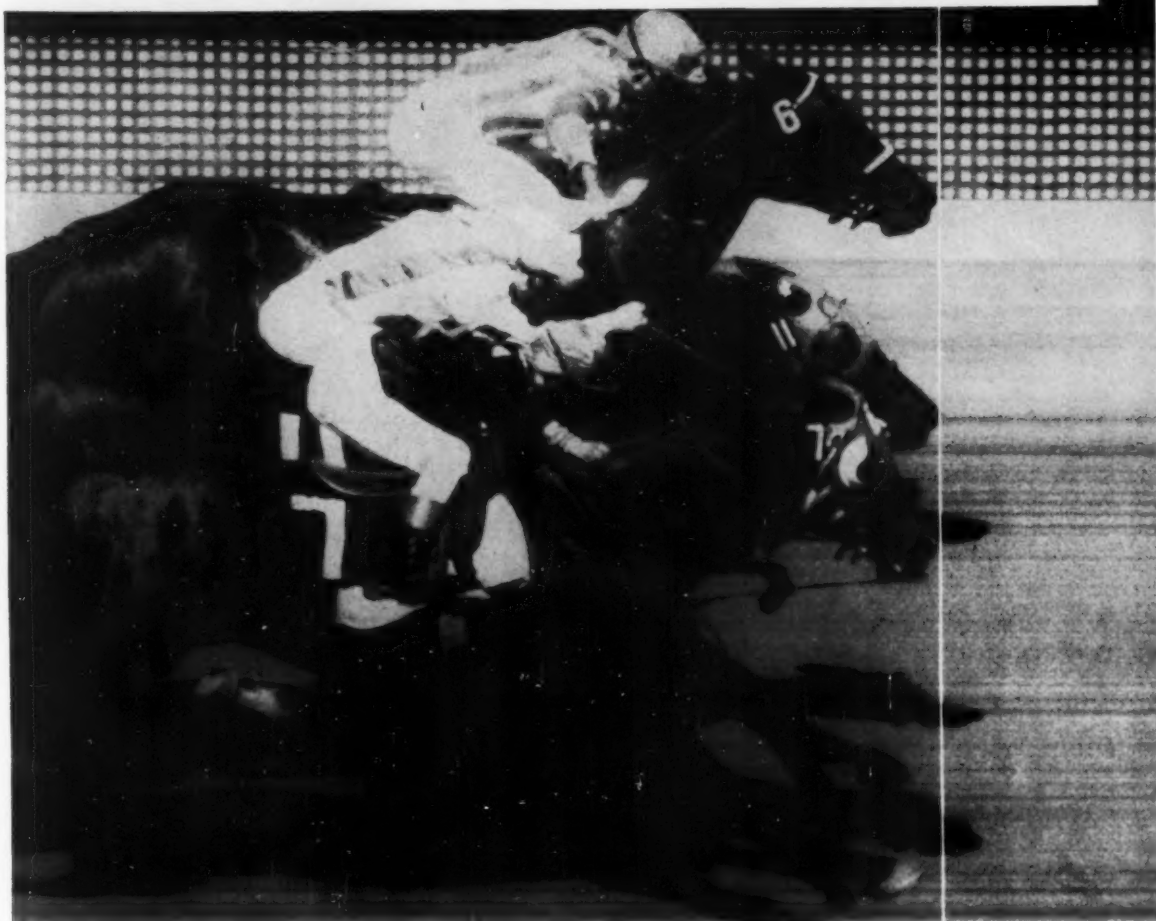
If Ottawa adopts the recommendations of an expert on airline economics, the government-owned Trans Canada Airlines will keep its 22-year monopoly of transcontinental traffic at least until 1966.

Findings of the study by Stephen Wheatcroft, British economist who advises British European Airways, come as a sharp disappointment to Canadian Pacific Airlines (BW—Mar. 15 '58, p. 63). CPA, operator of international routes, had been sure the Conservative regime, long critical of Trans Canada's monopoly, would allow it to fly at least one route across Canada.

However, Wheatcroft's report predicts a \$9-million deficit for Trans Canada in the next five years if CPA is given the right to compete. TCA, he said, could possibly meet “rationed transcontinental competition” without going into the red, and CPA might be granted a few short-haul, high-density routes, such as Vancouver-Victoria, Toronto-Montreal, or Ottawa-Montreal, without upsetting the economy of Canadian air traffic. But, under present rate-setting methods, he said, “competition tends to boost operating costs.”

Canada's Air Transport Board will consider CPA's application for four cross-country routes, along with Pacific Western Airlines' petition for one. Meanwhile, CPA has already bought six Bristol Britannias for its routes to the Far East, Australia, and Latin America, starting this summer and fall. These turboprop liners were to have released present planes for cross-Canada runs.

COMPETITION IS GETTING TOUGHER ALL THE TIME...



Official Photochart photo of third triple dead heat in turf history, Hollywood Park, July 3, 1957

Nobody has ever invented a satisfactory substitute for being first.

There are some who say pioneering a new product or idea is an expensive way to do business. Perhaps it is safer to follow the leader, but the laws of competition favor the front-runners and the purse keeps getting thinner as the competition gets thicker.

One of the ways to stay up front is to move with the products that have "winner" written on them. Urethane foam is one of these new products. The foundations for its use in the big consumer markets have already been laid in the automotive, aircraft,

textile and home furnishings industries. You'll find urethane foam in late model cars, the new jet airliners, in quality furniture and a growing list of consumer products.

What's your position in this race for the big share of these new markets? If comfort is one of the "products" you sell or buy in the form of cushioning, insulation or padding, urethane foam will keep your product out of the also-ran category and put it up front with the leaders in '59.

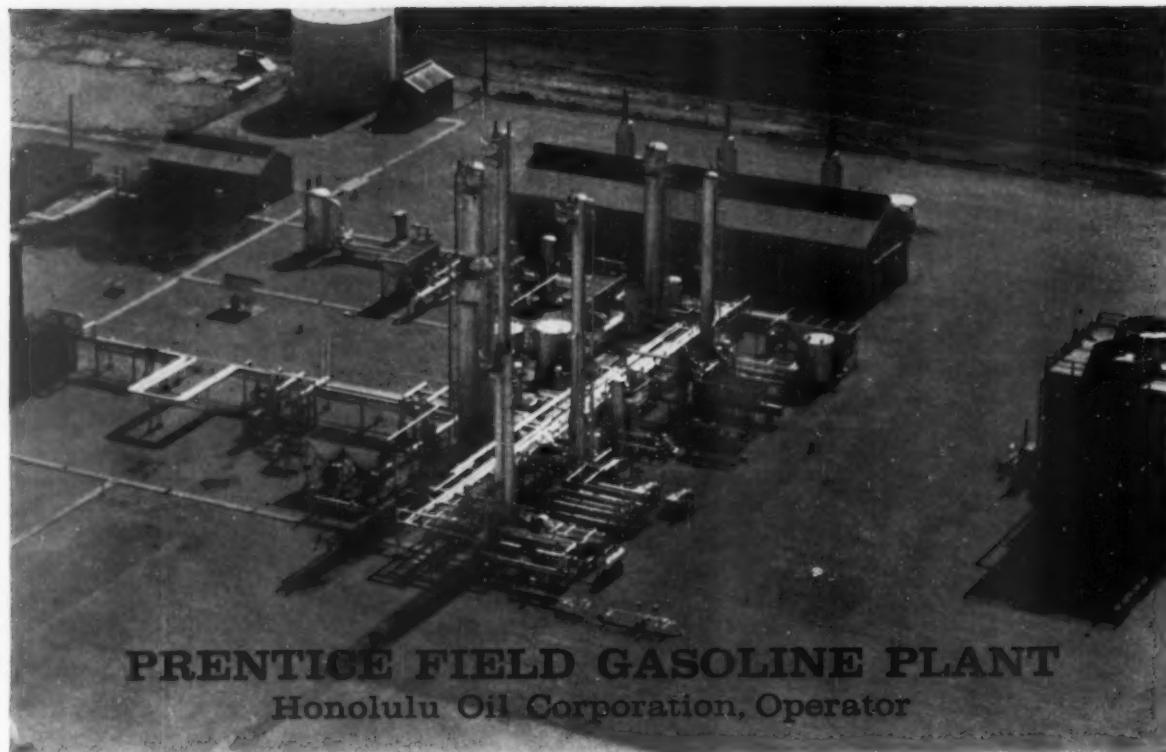
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PRENTICE FIELD GASOLINE PLANT

Honolulu Oil Corporation, Operator

To help insure uninterrupted production at low operating costs . . . equipped with **JENKINS VALVES**

An outstanding example of cooperative effort by the oil industry, the Prentice Field Gasoline Plant in Terry County, Texas — operated by the Honolulu Oil Corporation of San Francisco for the owners — is a model of efficient operation.

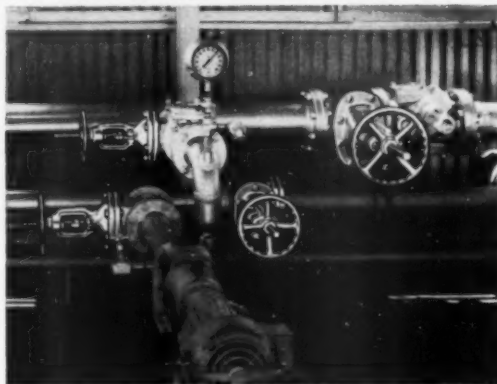
Designed to conserve natural resources and to produce oil properties from a by-product of crude oil production, the Prentice Field Plant produces 74,550 gallons per day of liquid product and a dry natural gas. These are sold by pipe line for use as fuel.

To insure efficient operation with a minimum of employee attendance, the plant is completely equipped with modern controls. For pipe lines, Jenkins Valves were specified, assuring long service life.

No other valves have such a long record of efficient, low-cost service. To building experts and plant operating men, the Jenkins Diamond on a valve has been a mark of extra value for nearly a century. Yet the valves that bear this famous symbol cost no more. Jenkins Bros., 100 Park Avenue, New York 17.

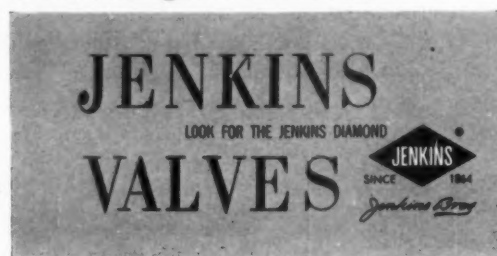
Sold Through Leading Distributors Everywhere

*Designed, Engineered and Constructed by
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Jenkins Valves on utility water pumps at the Prentice Field Gasoline Plant. Engineers specified "Jenkins" for all standard valves in plant, which processes 12,360,000 cu. ft. per day of oil well casinghead gas.

In the buildings in America's future . . .



WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 12, 1958



Reports to Pres. Eisenhower on the business outlook now take a firmer set. In their most recent briefings, the President's advisers have omitted many of the qualifications they insisted on no more than 30 days ago. They seem sure that the slide has hit bottom—insist that the May and June figures leave little or no doubt on this score.

There's more confidence in a fall upturn than has been displayed heretofore. Thinking is that it will show up in September and then gain strength in the fourth quarter. But the talk is in terms of a slow rise that will take a year and maybe even longer to bring the economy back to the pre-recession level.

Note the latest employment-unemployment figures.

Unemployment hit a new postwar high—5.4-million (page 25)—but the significant fact is that the rise was less than had been expected.

Washington's conclusion is that the uptrend in unemployment is either at or near an end.

New strength in consumer spending is being forecast. Officials feel that spending has held up pretty well in the face of the recession. They forecast that it will gain as workers become convinced that the recession has run its course and that their jobs are more secure.

Two weak spots still bother Washington.

One is autos. Presidential advisers fear that Detroit won't solve its problems with the 1959 models, which will be out in a few months. Diminishing worries about the recession may give a little new strength to the market. But the Washington feeling is that the face-lifting of cars won't be enough to create a real strong trend.

Business spending is the other weak spot, as Washington sizes up the picture. No one on Eisenhower's staff expects the investment trend to make any early turnaround. Most government men, in fact, expect the slide to run into the second quarter of 1959, at least. Then, they feel, a leveling out is possible, with an upturn late next year.

Here's the picture, as the politicians add it up: A slow recovery, taking a year or longer, and then a new breakthrough into high ground. Recovery will be too late to influence this fall's elections. But if the forecasts now being made pan out, the Republicans might be in a pretty strong position when the 1960 Presidential elections roll around.

—●—

So-called anti-recession bills are being shelved in Congress. The big push the Democrats put behind some of them early in the session has just about run out of steam—they lack the support for passage.

There will be no general farm bill to retain props at high levels. In fact, farm legislation at this session will be limited.

The big public works loan bill is dead. That's the Fulbright bill, which the Senate rushed through weeks ago. It would provide billions in easy loans to states and local governments for all sorts of projects. Odds are the House will take no action on it. If the House should pass it, the bill would face an Eisenhower veto, as unnecessary.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 12, 1958

The housing bill will pass. But it probably will be trimmed below the nearly \$3-billion provided in the measure pending in the Senate. The Administration considers the amount much too high.

A capital bank to help small business will be voted. Under its terms, the Small Business Administration could charter private investment companies to supply funds to small business. This measure, along with some form of tax relief for the smaller companies, has very strong support in Congress. The Senate has already voted the bank plan, and the House is expected to go along.

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The White House is reappraising the Adams incident. When the story of Goldfine and his relations with the President's right-hand man first broke, Adams had unqualified backing at the White House—from the President right down through the staff. These are the men who know Adams best, and who have complete confidence in him.

But a questioning mood is setting in. Adams' integrity is not involved. Any question on this score gets a quick dismissal. But reporters in close contact with the White House views on things are becoming more and more aware of a change in sentiment. It is the sort of change that long-term observers associate with the departure of men who embarrass their party.

—•—

The White House has a yardstick for conduct. It's being used on Adams.

There's the legal angle: Did Adams break any law? The conclusion, when you cut through all the arguments, is that he didn't—not knowingly, at least. Goldfine probably did get some Federal Trade Commission information he wasn't entitled to under the law—got it as a result of Adams' interest.

There's the moral angle. On this, opinion is divided. Adams did accept favors from a friend who had problems with government agencies.

Then, there's the political side. There is no doubt that the incident has given the Eisenhower Administration one of its most embarrassing problems. Adams himself said he might have been imprudent. His associates agree.

—•—

Political judgment is involved. And that's where Adams finds it hardest to explain his actions and the Goldfine gifts—which may or may not be related. It's at this point that his White House associates back off.

Here's the nub of it, as executive staffers admit when they let their hair down. Adams made the mistake of thinking he could handle the problems of a gift-giving friend in a routine way. He should have realized that any phone call he made, as top adviser to the President, put regulatory agencies involved on a spot—put them under influence. No regulatory agency wants to offend the White House. On top of it all, Goldfine handled the sums he spent on entertainment of Adams and the gifts as business expenses. This surprises no one. But it makes the whole thing much harder to explain to the voting public.

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So, Adams will leave, probably after Congress adjourns, and before the November elections. Some close associates already are worrying about his health. The investigation has been a terrific blow. After all, Adams is the unofficial chairman of Eisenhower's "hound's tooth club." And he is aware of the changing feeling among his associates.



Illustration courtesy of GLASS CONTAINER MANUFACTURERS INSTITUTE, INC.

How starch specialties improve baby foods

No food eaten during a lifetime is prepared with greater care than today's baby foods. They are made from the finest, freshest fruits, vegetables and meats. All expertly processed to retain precious growth-building health values and baby-pleasing natural flavors.

Only carefully selected starch specialties, produced under the highest standards for quality, are used.

National starch specialties for baby foods impart smoothness, body and a soft, tender consistency. These characteristics as well as full clarity, natural color and delicate flavor remain unchanged during long shelf life.

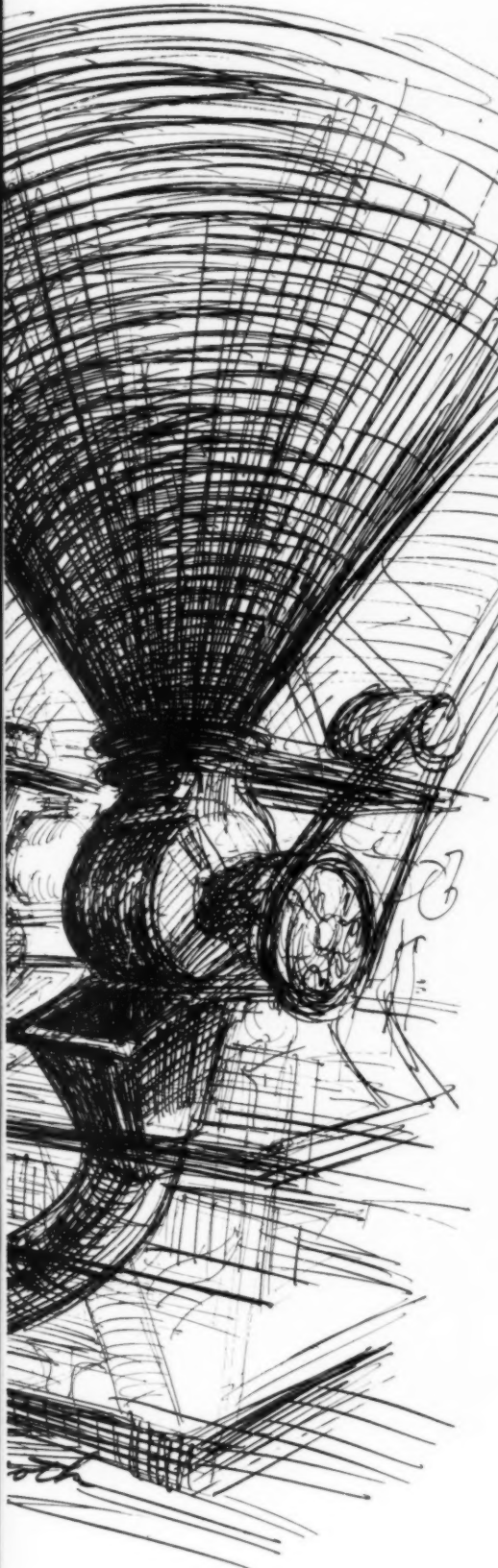
National is a major producer of starch specialties—*not only for baby foods—but for all foods from soups to desserts where the unique characteristics of National's starch specialties materially improve the product rather than act as a mere thickener—again the result of selective research and development.*

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Mineral wealth is where you find it.
Asarco is now mining asbestos
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to recover the fibre. The cost:
36 million dollars. The reward:
for the next 40 years or more,
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fibre will be produced every year
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ASARCO



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We've Miniaturized the Subminiature!

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CUBIC CONTENT: .035 cubic inches. ELECTRICAL RATING: 5 amps-250 vac, 30 vdc. SPDT.

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We call it the "Sub-subminiature!"

This new "SX" basic switch represents an entirely new set of answers to the space-weight problems in dependable precision switching. It combines new small size with more than ample capacity for wide usefulness, meeting the pressing demand for miniaturization combined with reliability.

In its exacting development, many prob-

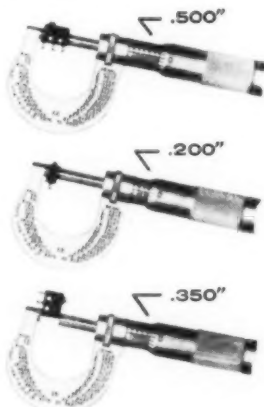
lems of design, testing and quality control presented themselves. However, 23 years of experience proved of immense value. As a result, a new standard has thus been set by which all precision switches must be measured.

This broad experience can prove of equal value to you. Send for more information about this new switch. Request Data Sheet No. 148.

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"In the last 20 years, we haven't raised any great sales managers. The reasons are simple: The challenge wasn't there, and everything came too easily."

... Advertising executive

"I guess it all boils down to the fact that too many of today's sales people are not selling, either from ignorance or indifference or both ... but, if considered further, it really reflects a basic weakness in sales management."

... Sales director of chemical firm

"There's no doubt about it, we need better salesmen, but we also need better sales executives, too."

... Sales vice president of shoe manufacturing company

"The salesmen don't need speeding up — they are just as good as their sales management."

... Marketing director of business machine company

Fingers Point at Sales Managers

Amid all the clashing opinions about the recession and what to do about it, businessmen agree on one thing: Fifteen years of high demand for goods has thrown the art of selling into an eclipse.

But even while companies everywhere alternately cajole and browbeat their salesmen into greater efforts, some businessmen—such as those quoted above—are saying in no uncertain terms that the trouble with selling lies not with the hapless salesman, but with sales managers whose job it is to plan, plead, inspire, and prod the sales force.

Right now, these executives say, the sales manager is on the spot.

• **Reasons and Remedies**—In a nationwide survey, *BUSINESS WEEK* asked companies if they feel any weakness in their sales management organization, and if so, what they are doing about it. The answers reveal broad differences in views about the role the sales manager should play in the selling effort.

In seeking reasons for poor sales, company attitudes range from pinning responsibility squarely on the sales manager ("that's why we fired our sales manager," says one Seattle company) to denials that the sales manager is the scapegoat. Others blame general economic conditions or the business cycle for declining sales.

In seeking remedies, the broad conclusion of sales executives is that, today, sales managers must back up their salesmen more than ever with every

possible help. Again, companies differ in their approach to this job. Some are pushing the sales manager out from behind his desk into the field with his men. Others disagree with this approach, instead are sharpening his role as a shaper of the broad marketing policies and sales strategies that make the salesmen more effective.

"All of us were lulled to sleep when business was too good," says Wayne Rising, merchandising vice-president for Ducommun Metals & Supply Co. of Los Angeles. His remark reflects the feeling in many companies that the sales manager simply fell into the general relaxed mood toward selling that developed at all levels in business. "You've got to blow the dust off all of them," a Boston executive agrees. "We're just too used to boom times. All the way up and down the line they don't know what it is to go out and sell." Houston auto dealer Theodore Kreiger concedes, "A great deal of the trouble in selling does go back to management. Our salesmen are not accustomed to selling like they did five to 10 years ago. I am trying to get them to sell, but I'm not too successful now."

• **Heat on Sales**—Not many companies are willing to point to soft spots in their own sales organizations. But the real clue to business thinking about sales management shows up in what companies are doing to increase sales. A Philadelphia company, for example,

asserts that its salesmen are doing a fine job, but adds that its president is now going out into the field to talk with prospects.

It's a rare company that isn't turning the heat on its sales department—and salesmen are getting most of the attention. All over the country, new training programs, pay and incentive plans, sales contests, and other techniques for steaming up sales are blossoming. Many executives see much of this activity as an admission of the lack of sales training which is the strongest, if implied, criticism of sales management.

Homer L. Travis, sales vice-president of the Kelvinator Div. of American Motors, for one, believes that the salesman is partly the victim of unwise management policies that emphasized impersonal selling, and of basic errors in long-range market forecasting that resulted in overproduction and consequent selling on the basis of price. The salesman has been inadequately selected, trained, and supervised, Travis says, simply because a higher level of performance was not required to move goods. Management took the path of least resistance.

• **Two-Way Push**—With this path now closed, most companies are moving their sales managers in two directions.

First, they are pushing them on to the firing line. Company after company reports that it is telling its managers to visit customers, accompany

Why factory after factory after factory is a



Butler pre-engineered building

Suppose that every time you added plant facility—or built anew—you engineered the equipment from scratch. Impossible! Yet how often the plant itself is so engineered. Today, that is rarely necessary. And there are far more profitable uses for capital and engineering time.

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"... but a few companies issue thoughtful warnings against misusing the sales manager..."

SALES MANAGERS starts on p. 47

salesmen on their rounds, get involved in actual selling. Closer customer contact by management is the watchword in most companies.

Second, top management is moving to insure that sales managers exercise a closer supervision over their salesmen. Often, as in the case of a number of Pittsburgh companies, this involves reducing the size of the salesman's territory, or the number of products he's responsible for, and adding sales managers to achieve a heavier concentration of sales effort at both levels. Sales departments are being reorganized so that top sales executives can keep closer tabs on activities.

A South Carolina textile equipment manufacturer, for instance, has cut back on sales territories, placed regional and divisional sales managers over the fieldmen, and created a new high-level job—that of an assistant director of sales who travels around keeping in touch with salesmen in the field. In Los Angeles, Rexall Drug Co. has doubled its sales administration staff so that district managers have only half the number of salesmen to oversee. Rexall requires its managers to spend as much time in the field as possible.

• **IBM's Tactics**—Some companies have pushed through a thorough sales department overhaul, lighting fires under both sales managers and salesmen up and down the ranks. An example of this type of action is Project Spark, kindled by International Business Machine's Data Processing Div.

During most of last year, the division—which accounts for more than half of IBM's volume—was piling up a backlog of orders. Customers wanting to rent or buy machines had to wait as long as two years for delivery. "The faucet was turned off in September," says Gilbert E. Jones, the division's manager of marketing and service. "We woke up in October."

The result of the awakening was a plan consisting of several interrelated phases. One phase insures that resident managers get into the field, and that out-of-town managers visit branch offices once a month. Jones believes that in a recession, sales management should know what goes on in its customers' offices, as well as its own. Under the plan, when a salesman reaches the stage of making a written proposal to a prospect for business, his sales manager must call on the customer. Further, when a customer is canceling an order, some member of sales management must call to try to change his mind.

Another phase concerns training.

Periodically, managers are called in to discuss their strong and weak points with their supervisors. The list includes such questions as "Do you have a program for upgrading your men?" to "Do you dress like an executive?" The division also requires its managers to attend technical schools to make sure they are qualified to explain their complicated equipment.

As part of the sales promotion aspect, management locates markets that offer the greatest sales potential, and prepares kits for salesmen describing how to conduct a selling campaign directed at a specific industry.

• **On the Other Hand**—These activities illustrate how some executives are trying to achieve more effective sales management; but a few companies issue thoughtful warnings against misusing the sales manager. They see a danger in involving him too much in direct selling. "Lack of hard sell experience by the sales manager is not the problem," says J. Thomas Smith, president of Detroit Harvester Co. "Rather the answer lies in solving the confusion over marketing techniques."

This view stresses not how the salesman does his job, but the whole marketing picture—research, analysis, and planning. Ultimately, of course, such a view does point to the sales manager, but not in terms of pushing him out into the field.

"There's a tendency in some areas to look upon the sales manager as a super-salesman who goes out and clinches the sales," says George M. Hartley, marketing manager for General Electric's Metallurgical Products Dept. "His real job is to manage, to guide, to counsel, to direct his field organization, to get the job done through them. If the salesman is not doing the selling job, and the sales manager finds himself in the position of doing the salesman's work for him, he should get rid of the salesman."

• **Better Planning**—Other executives agree that the selling effort must be better planned and directed before the salesman makes his first call. Burroughs Corp.'s Pres. Ray R. Eppert sums it up: "The salesman must be supported in depth. He may be personally effective, but he will be hobbled unless previously the right decisions have been made in research and development, product planning, market analysis, sales training, and advertising. To the personal skills of the individual salesman we must add the depth and breadth of the organization that stands behind him." **END**

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What's more, every shape made this way is the same. You can fit these shapes into a mass-production line with very little trouble.

Flame-resistant Hetron is teaming up with new processes like this one to help many manufacturers make stronger, safer polyester-glass products. Where can it serve *you*? For details, and names of fabricators who can make Hetron shapes for you, write **DUREZ PLASTICS DIVISION, Hooker Chemical Corporation, 4007 Walck Road, North Tonawanda, New York.**



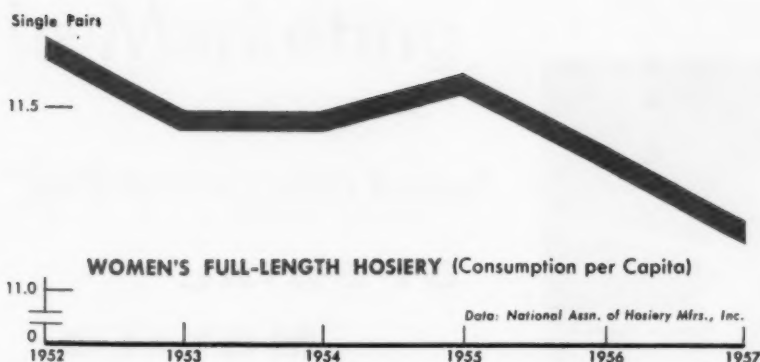
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Can Color Pull Up Sagging Stockings?

"We hope to convince women that legs are their most important accessory."

So the fashion director of Wayne Knitting Mills, maker of Belle Sharmeer brand, sums up the aim of women's hosiery makers today. Some believe they can reverse the down drag of per capita shipments of recent years (chart).

Successful merchandisers such as Belle Sharmeer, Sapphire, Hanes, and others have been talking "fashion rightness" for hose for some time. In the past year, though, a new gleam glinted in their eye: the gleam of color.

Color has been tried before. But since last fall, department and specialty store counters have bloomed as never before with pinks, mauves, greens, blues, bronzes, off-blacks, greys. This time some leading brand makers think they can really put it over.

Estimates vary on how much of the business tinted sales represent. Some think it's 20% to 25% of the market. One big company says color accounts for 60% of its brand business. Others hint that it represents only a small fraction of their total.

• **Women Wanted**—Not everyone agrees that color will cure the industry's ills. A close student sees "no boom, only gloom and doom" ahead. This observer says the only solution is to double the female population.

Two broad problems face the industry: overcapacity, dating from the late 1940s; and the fact that hosiery is a replacement market.

The industry now has a capacity to turn out 88-million doz. pairs of hose a year, according to Victor Lebow, marketing consultant and hosiery specialist. Yet it can sell only about 50-million doz. This has led to promoting on price, to declining profits, and to many casualties in the business.

The National Assn. of Hosiery Mfrs.

says that except for the Korean shortage period per capita shipments of women's hosiery have shown an obdurate disinclination to go above the pre-World War II peak of 13.9 pairs (including anklets). Total shipments—for men's, women's and children's—were down a shade last year, and lower than any postwar year since 1949. Socks and anklets did rise a bit, it's true. The other strong element has been women's seamless hose—sparked by Hanes Hosiery Mills Co. Seamless has been gaining ground steadily in the past few years—but at the expense of full-fashioned hose.

• **Bare Legs**—Recent living patterns have been unkind to the business. Suburbia's casual look all too often means a bare-legged look. This has abetted the trend to neutral, skin tones, that go with any costume. It has also abetted seamless, which looks bare-legged. And the big population bulges have come in the wrong age groups, the very young and the very old.

Then why do optimists think color will help now? Fashion is the answer. "There was a time—Marlene Dietrich, you know—when legs were important," says Wayne Knitting Mills' Robert B. Colbert, Jr. "Then interest shifted to the bosom." Now, come short skirts and the looser silhouette, legs have another chance.

Color enthusiasts admit to problems. If, like big Burlington Hosiery Co., you are offering 14 colors this year instead of last year's eight or nine you create an inventory problem. So far, though, big retailers have not balked.

If the big stores haven't balked, the chain stores, though—the supermarkets and variety stores—have, on the inventory question. Supermarkets, says Lebow, sell some 15% of all hosiery now—and they won't stock the tinted hose.

• **Selling**—Promoting color takes real merchandising. "Coordinated" is the



key word. Belle Sharmeer, for one, coordinates hosiery displays with shoes, even with millinery. "We have to get around the old idea that colored hose isn't quite nice," a Wayne official says.

Phoenix Hosiery Co., a strong advocate of color for seven years, feels that merchandising has been one of the industry's weak points. Color gives retailers something to sell.

Merchandising includes consumer education—and this will take time, says an official of Berkshire Knitting Mills. Most companies put out charts to tell customers what colors to wear. Phoenix even stamps its hosiery with blobs of colored wax to indicate appropriate colors to go with its tinted hose.

One more source of hope—and a considerable one—is the heavy backing that colored hose is getting from the nylon suppliers: Chemstrand and du Pont.

• **Seamless**—The pessimists feel that color is too frail a dam to check the tide of overcapacity. As more machinery for seamless comes on the market, the industry may face a glut in seamless, as it has faced a glut in full-fashioned. Pres. Gordon Hanes of Hanes says to this, "We have had to be promotion-minded to put seamless over. When there are no longer shortages, we'll just have to sell harder."

Alfred P. Slaner, executive vice-president of Chester H. Roth Co., thinks color is worth a try, but feels you can build your own business, but only by taking it from someone else. Others, more hopefully, rejoin, there are more than 60-million females aged 15 and over in this country. If color persuades each one to buy just one extra pair, that's a lot of hose. **END**



Leaders of the Mallory-Sharon technical team (l. to r.) Lee S. Busch, Technical Director; Frank H. Vandenburg, President; Graham B. Brown, Vice President, Marketing; Dan E. Cribbs, General Manager, Wrought Products Division.

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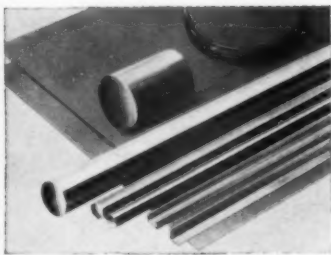
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In Marketing

. . .

Oil Company Woos Motorists With Souped-Up Chassis Grease

A new merchandising program to pull motorists to gasoline stations is under way at Standard Oil Co. (Kentucky). Kentucky Standard is teaming up with Climax Molybdenum Co., a division of American Metal Climax, Inc., to promote "moly grease" as a regular chassis lubricant for passenger cars.

Moly grease, a lubricant containing Molybdenum disulfide additive, is on sale at most gasoline stations, but so far the main automotive market has been truck, bus, and fleet operators. Climax, which supplies the additive, reports that Kentucky Standard is the first company it knows of to woo the individual car owner aggressively.

E. E. Smith, manager of chemical sales for Climax, explains that performance claims for gasoline don't have the drawing power they used to have. And customers come in less frequently for oil changes. "The answer is to earn their patronage by means of something else—chassis grease, for instance," he says.

. . .

Du Mont Sells Its Consumer Products And Brand Name to Emerson

In a deal that apparently pleases both sides, Emerson Radio & Phonograph Corp. is buying the consumer products division and brand name of Allen B. Du Mont Laboratories, Inc. Reported price: about \$6-million.

At the end of the year, Du Mont will turn over all tools, dies, molds, and other manufacturing equipment for its TV receivers, phonographs, hi-fi, and stereo instruments. The purchase does not include Du Mont's scientific and industrial production facilities.

Du Mont has had hard going in the consumer line for some time. The deal brings it some welcome cash. It gives Emerson a higher-priced line than it has had. Emerson is setting up a new subsidiary, Du Mont Television & Radio Corp., to handle the line, which will be marketed separately from the Emerson lines. Pres. Benjamin Abrams estimates that his company should gain perhaps \$25-million in annual sales from the deal, to add to its current \$55-million volume.

. . .

Court Clobbers Ad Tax in Baltimore; Canada Move Cheers U.S. Publishers

Advertising taxes are making news on two fronts:

In Baltimore, this week, a circuit judge held that the city's advertising taxes are unconstitutional.

In Canada, the new Conservative government's announced intention of repealing the 20% tax on adver-

tising in Canadian editions of U.S. magazines promises to spur the U.S. publications to new competitive efforts.

The Baltimore taxes, adopted last November, have been repealed, effective at the end of this year but publishers had feared that other cities would try to copy it. If the circuit court's ruling holds, the city will have to repay all the money it collects.

In Canada, both Time and Reader's Digest reduced their advertising rates with the announcement of the took effect.

Family Circle and Woman's Day both quit soliciting Canadian advertising when the tax was imposed. Chances are they will start up again.

. . .

Big Stores Outstrip Small Ones, Ten-Year Sales-and-Profit Study Shows

A study this week by the Controllers' Congress of the National Retail Merchants Assn. sheds some new light on department and specialty store operations. Of special note is an analysis of long-range sales and profit trends for the 10-year period 1947-1957. The figures reveal clearly how larger stores have outstripped smaller ones in both sales and profits.

"Smaller stores are continuing to lose ground in sales and profits when compared with larger department store performance," says Sam Flanel, general manager of the Congress.

Over-all department store volume rose 27% in the 10 years. But this includes an actual sales decline for stores with annual volumes below \$1-million, as well as increases up to 36% for stores doing in excess of \$50-million annually. Specialty store volume rose 5.6% for stores in the \$1-million to \$5-million group, and 7.2% for stores doing over \$5-million.

As for profits, all department and specialty store pre-tax profits as a percentage of sales declined from 1947. But for the most part, the larger stores suffered smaller drops, and these drops, according to Flanel, were "more than offset by sales gains." The result, he says, is that they are earning more profit dollars than in 1947.

. . .

Italians Convert Pay-TV Idea Into an Installment-Buying Gimmick

Pay-TV, which is having its troubles in this country, has come to Italy, but with one significant difference. Using a gadget called "taxivision," the Italian viewer pays for his set as he views—rather than for the particular program. The device works like this:

The average TV set in Italy costs around \$176, plus \$32 license and installation charges. Buying on installment generally calls for a downpayment of around \$32, plus a monthly payment of \$8.

Using "taxivision," the buyer lays down an initial payment of \$8, and thereafter feeds coins into the set as he watches. The device keeps a record of how much has been paid until the purchase price is reached. If the set owner doesn't like the shows, he closes down his set and saves his money.

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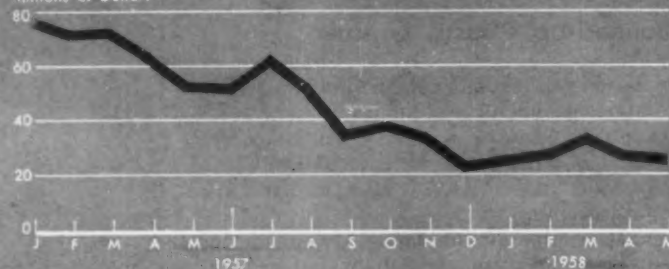
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CHARTS OF THE WEEK

New Orders for Machine Tools

Millions of Dollars



Data: National Machine Tool Builders' Assn.

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Rise Is Short-Lived

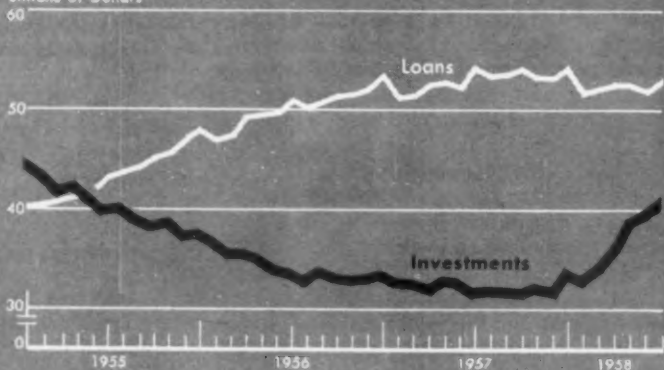
The sharp upturn in new orders for machine tools registered last March has proven short-lived. In May, as in April, new orders amounted to about \$28-million dollars, which is only slightly higher than the nine-year low of \$25-million recorded in December, 1957. The all-time high was reached in December, 1955, when orders totaled

well over \$150-million—more than five times higher than the current figure.

The order backlog on May 31 equaled 2.6 months operations at present output, the same as a month ago. It compared with a 4.4-month backlog a year ago and 8.2 months in May, 1956 (even though output at those earlier dates was higher than at present).

Trend of Bank Loans and Investments

Billions of Dollars



Data: Federal Reserve Board.

© BUSINESS WEEK

The Pattern Is Reversed

This year's slack demand for bank loans has resulted in a rise in bank investments, the first since 1954. The trend of bank loans and investments is indicated by the figures for the weekly reporting member banks of the Federal Reserve System.

The drop in demand for loans, along

with reduced reserve requirements, has enabled banks to rebuild their liquidity. Continued high demand for loans to finance business expansion, beginning in 1954, had caused banks to liquidate many of their investments to be in a position to make loans to customers.

Most of the additions to bank in-



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Crucible, a fully integrated specialty steel producer, owns and operates the largest nationwide chain of specialty steel warehouses in the country. Twenty-seven are conveniently located in key industrial centers from coast to coast, and more are being opened each year. As a producer, Crucible makes the most complete and diversified line of special purpose steels available anywhere. And most of these are carried in each of the twenty-seven warehouses.

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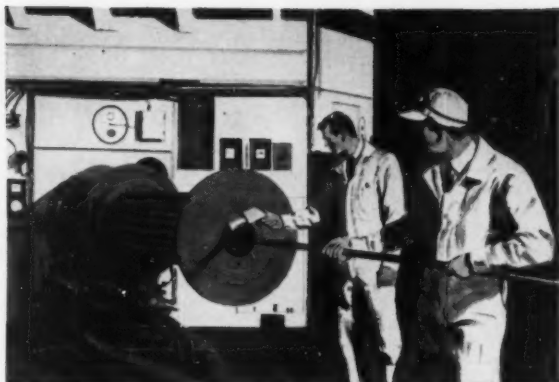
For the address of the Crucible branch office or warehouse nearest you, or for technical data on any particular Crucible product, write to *Crucible Steel Company of America, Dept. MG-05, The Oliver Building, Mellon Square, Pittsburgh 22, Pa.*

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VACUUM-MELTED STEEL — Crucible vacuum-melted, borated stainless steel is now playing a vital role in nuclear applications. Only through vacuum melting can higher boron content stainless alloys be produced. And vacuum melting makes possible production of alloys free from impurities that are detrimental to nuclear reactor performance.



HIGH STRENGTH STEEL — To stop a jet dead in its tracks on an aircraft carrier takes an arresting hook of a very special steel. It was specifically for landing gear, arresting hooks and other tough applications like this that Crucible HY-Tuf® was developed. Because of its high tensile strength (over 230,000 psi) and toughness, cross-section can be reduced. This saves weight and improves performance on a host of applications from heavy, earth-moving equipment to light-weight portable motors.

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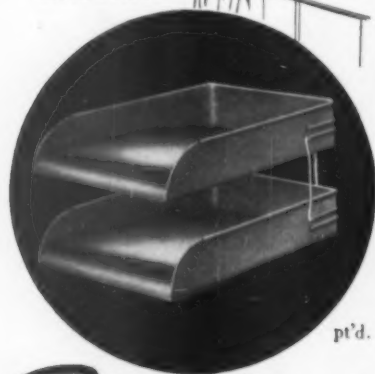
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Cincinnati 12, Ohio

vestments consist of government securities. Government obligations held by weekly reporting member banks are

nearly \$7-billion higher than a year ago. Business loans of these banks have dropped \$2-billion below a year ago.

Fabricated Structural Steel



Data: American Institute of Steel Const.

BUSINESS WEEK

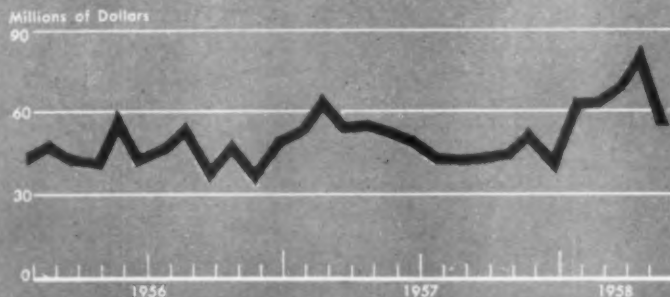
Up, for Fifth Month in a Row

The increase in new construction contracts is showing up in the steel industry. New orders for fabricated structural steel for buildings and bridges totaled 224,308 tons in May, the American Institute of Steel Construction, Inc., reports. It marks the fifth consecutive month bookings increased. Although May orders were 32% behind

their year-ago level, the month's performance was a definite improvement over the 41% average decline for the first five months of the year.

Shipments rose slightly from 324,000 in April to 328,000 in May—3% higher than the average for the four preceding months, but 13% behind the May, 1947, level.

Current Liabilities of Business Failures



Data: Dun & Bradstreet

BUSINESS WEEK

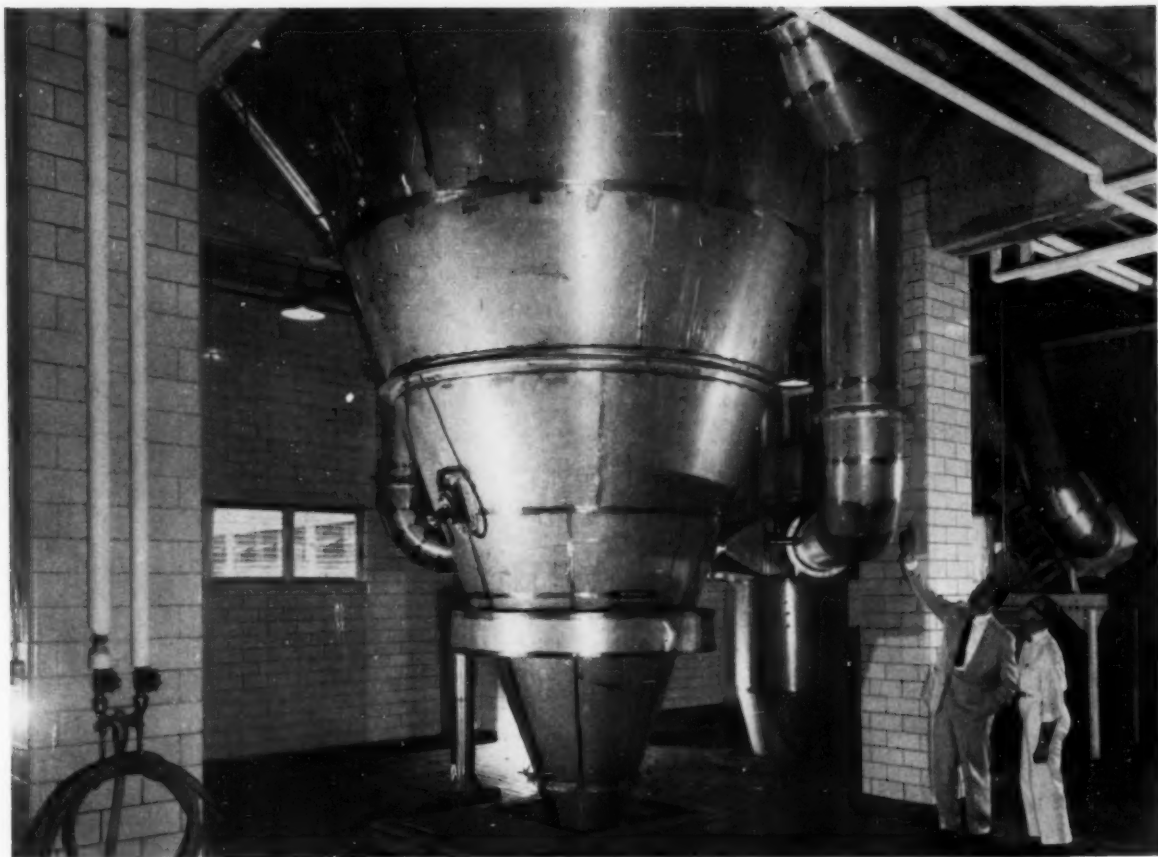
Plunge From Postwar High

After rising for four months in a row, current liabilities of business failures dropped sharply in May. But, liabilities in May still were 7% above their year ago level. April's level of \$84-million had been the highest since 1933.

The number of businesses failing in May also dropped—from 1,458 in April to 1,341 in May. This decline amounted

to 8%—considerably smaller than the 33% drop in liabilities from April to May.

The rate at which businesses were failing also declined in May, dropping to 55.3 per 10,000 listed enterprises after adjustment for seasonal variation. This index had reached a postwar high of 60 in March.



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Cooling With No Moving Parts

● Two new Westinghouse appliances use a brand-new design based on a century-old principle. No compressors, no fans—just electricity making a material colder.

● Key to the devices is the new class of semiconductors—some can carry electricity well but insulate against heat.

● The first appliances are expensive novelties, but the principle could find many new uses.

Electrical appliances that cool—as well as heat—without any moving parts moved a step closer to consumer markets last week. Westinghouse Electric Corp. demonstrated two new heating-cooling devices:

- A battery-operated hostess cart that refrigerates food in one compartment, warms it in another. Estimated price: \$300.

- A baby-bottle warmer-cooler with an automatic timer. For a set time, it keeps the bottle refrigerated; then it reverses the current and heats the bottle to the correct temperature for feeding. Estimated price: \$50.

In electrical appliances, the heating ability is nothing new—electrical heat normally comes from the resistance of metals to a current. But to cool without the motors and compressors that conventional refrigerators require is something dramatically new.

- **New Horizons**—The practical success of the new family of appliances hinges on semiconductor materials, a group that has only been studied intensively in recent years (transistors came from such studies). Using semiconductors makes possible practical application of an old electrical phenomenon; and the heating effect comes either as a by-product of the cooling effect or from reversing the electric current.

Absence of moving parts cuts down their bulk (the new units need only about half as much space as if they had conventional refrigerating machinery) and lets them operate on less power (60 watts for the bottle warmer and 150 watts for the hostess cart). They also have virtually nothing to wear out.

At today's estimated prices, the two Westinghouse appliances are expensive novelties, and Westinghouse people are careful to speak of them only as experimental products. But they open up new vistas in the appliance market.

"This is even bigger than the transistor breakthrough, in terms of the end-use appeal of its products," says

Chris J. Witting, the company's vice-president in charge of consumer products.

- **Really Portable**—At first, portability will be the major selling point of the new items. The cart works on a battery, rechargeable from house current; the bottle warmer, on an automobile's electrical system (plugged into the cigarette lighter socket) or, through a rectifier, from house current. All of the new-type appliances will need direct current.

Their freedom from ordinary house current makes the first two Westinghouse appliances attractive for travel or summer camping, for use on the backyard terrace or at the beach. But the same principle can be applied to household refrigerators, freezers, air conditioners, and spot coolers, either for economy of operation or for new cooling devices such as refrigerated cocktail shakers, photo developing trays, and drawers for storage of food, furs, or woolen clothing. With their compactness, they could be scattered around the house.

- **Working on It**—Several years ago, Radio Corp. of America demonstrated a small refrigerator that works on the same principle as the Westinghouse appliances. RCA says it is still working on the project, but progress has been shrouded in corporate security.

Basically, the RCA device works on the same principle as the Westinghouse appliances.

- **Old Idea**—When you run an electric current through metals, you expect the metals to heat up. But the opposite happens in the Westinghouse cooling elements—the metal cools off. The principle is startling to laymen, but it has been known to scientists for more than 125 years.

In 1826, Thomas Johann Seebeck discovered that when two wires of different metals were connected in a loop with two junction points, electricity would flow through the wires if the

two junction points were kept at different temperatures. This thermoelectric effect has since been put to wide use as a temperature measuring device called a thermocouple.

Eight years after Seebeck's discovery, Jean Charles Peltier of France discovered the obverse of the theory. He found that passing a current through the junction points of two metals—bismuth and antimony—caused the junction to cool. Reversing the current, he found, reversed the effect, warmed the junction.

However, the temperature differences were slight, and Peltier's contribution to knowledge remained a scientific curiosity until the development of modern atomic theory and the advent of semiconductors. One limitation on achieving a sharper difference in temperatures between the two dissimilar metals was that any known connecting material that carried electricity well also carried heat well—so the heating at one junction canceled the cooling at the other.

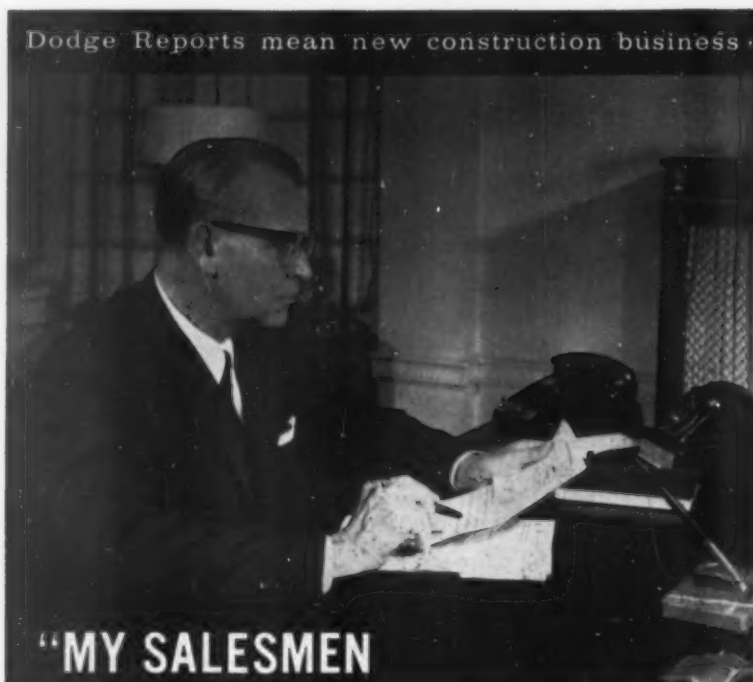
- **Providing the Key**—But some semiconductors are good conductors of electricity but poor conductors of heat. With materials chosen from this group, it may prove possible to raise the efficiency of the standard refrigerator from its 10% or 12% rating today to perhaps as high as 50%. At the moment, the Westinghouse devices have an efficiency only about the same as conventional refrigerators. But scientists see no mechanical limitation on the improvement of their efficiency.

Westinghouse won't say exactly which semiconductor material it uses in its new appliances. In its electrical circuits, it is the semiconductors that are different, rather than the metals that connect them. Thus, copper bars or plates on one side of the circuit are cooled by the passage of electricity while the other set is heated.

In the hostess cart, the cool side of the circuit takes care of the refrigerated compartment while the hot side serves the food warmer. In the bottle warmer-cooler, a single element cools or heats, depending on which way the electricity flows.

Some experts are guessing that the Westinghouse semiconductors are of the intermetallic type, which includes such compounds as lead selenide, bismuth telluride, and some of the carbides. Since low heat conductivity is needed, it may be, too, that Westinghouse has come up with a ceramic type of semiconductor. **END**

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Shale Oil Halt

Union Oil is closing down pilot plant because it says crude oil glut bars full-scale operation.

Union Oil Co. of California, the chief enthusiast for extracting oil from shale, will close down its \$9-million Grand Valley (Colo.) pilot plant at the end of the month.

Main reason for the shutdown, according to Union Pres. A. C. Rubel, is today's oversupply of crude oil, which has depressed prices. The company feels it now has gained all the operating knowhow it needs from the pilot project. But in light of market conditions, it apparently isn't ready to gamble \$300-million on a full-scale 50,000-bbl.-a-day shale oil plant.

Union Oil is confident shale oil some day will become a paying proposition. It says it was making good progress in knocking costs down to a competitive level with crude oil. According to the company, partly refined shale oil is superior in product value to many of this country's crudes. After the pilot plant shuts down, the company plans to keep its technical staff together to prepare more exact data on mining and retorting costs.

• **Technical Gains**—On the technical side, Union Oil reports these achievements from the 14-month pilot plant operation:

• **Upping production** during the retorting stage from 350 tons of shale to 1,000 tons a day. This yields 750 bbl. of shale oil daily.

• **Cutting mining costs** through mechanization to 50¢ a ton (\$1 a bbl.).

• **Simplifying the retort design**—and getting the equipment to run automatically—thereby cutting operating costs by two-thirds and lowering the probable capital outlay for a full-scale operation from \$8,000 to between \$3,000 and \$6,000 per bbl. (compared with \$9,000 for well-produced crude).

• **Rival Is Optimistic**—Although Union Oil's decision to shut down its pilot project is a definite blow to shale oil's fortunes, a rival company still is optimistic that a shale oil industry is feasible now. Oil Shale Corp. of Carson City, Nev., this week released the results of a two-year pilot plant study conducted for it by the University of Denver's Research Institute. The company says the study indicates that shale oil can be produced in Colorado and delivered to the West Coast for \$1.42 to \$1.92 a bbl. (Posted price for crude oil in California runs about \$3 to \$3.25, but because of the oil glut actual prices have been lower.) **END**

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NEW PRODUCTS

Cool Deliveries

Clark Industries plans to produce rear-engined refrigerated delivery trucks with standardized bodies.

When Clark Industries, a Columbus (Ohio) company that does metal stamping, was looking for work to keep its heavy presses busy, it decided to venture into a new field—refrigerated trucks. Most segments of the food industry have these trucks made more or less to specification. But Clark thinks its new rear-engined standardized delivery truck will be adaptable enough to serve more than one type of user. The company will use established Ford truck dealers for selling and servicing its trucks.

The new refrigerated truck has a capacity of 430 cu. ft. Clark estimates its unconventional design will reduce delivery labor costs 25% and speed up delivery schedules as much as two hours a day.

• **Advantages**—Main reason for the rear-engine drive is to get the truck lower to the ground by eliminating the drive-shaft. Getting the truck floor closer to curb height means a lot less stepping up and down for the driver. It also makes hand truck operations in and out of the truck's side door easier. The load compartment is designed to be accessible from inside the driver's cab, which also should conserve steps.

Placing the engine and transmission between the rear wheels simplifies body construction. It makes it possible to build the insulated body as a single cell, with the insulation—of the urethane type—foamed in place between the inner and outer aluminum shell. This one-piece wall construction improves the efficiency of the refrigerated compartment and just about licks the defrosting problem caused by outside moisture seeping through the insulation.

The engine is mounted in a specially designed sub frame that pulls out like a draw to give easy access to the engine for repairs, or for replacing the entire engine. The refrigeration system runs off the engine while the truck is in the field and off 220-volt electric power while the truck is in the garage.

The first model Clark plans to produce will be a low-temperature model for delivering ice cream and frozen foods. The company also is planning a cool-temperature body for delivering meats, dairy products, and flowers, and a non-insulated delivery van. The trucks are expected to be in dealer showrooms by November. Cost: \$10,000. **END**

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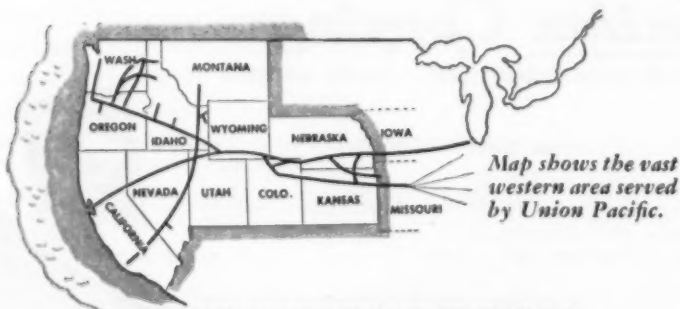


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NEW PRODUCTS BRIEFS

A silent paging system that works by tickle rather than by voice call has been developed by the AC Spark Plug Div. of General Motors, for use in areas where production din would drown out buzzers or bells. Vibracall, the device, is basically a tiny radio weighing 7 oz. that fits into a pocket. The operator pushes a button designating your call letter, sending out a low-frequency signal that triggers the vibrating mechanism in your receiver.

Smooth foil containers that can be hermetically sealed have been developed by Ekco-Alcoa Containers Inc., Wheeling, Ill. Combining the protective advantages of the aluminum can, these containers are expected to increase still further aluminum's inroads in the packaging industry. The biggest market is expected to be for packaging individual portions of anything from shoe polish to fruit juices.



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MEMBERS IN
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Mergers Boom, Buyers Choosier

● Corporations are still acquisition-minded, but the character of the 10-year-old boom is changing.

● Would-be buyers are more interested in proprietary items that match their own lines.

● Most sell-offs involve operations far afield from the company's regular production and marketing activities.

At first blush, you might think that acquisition-minded corporations would be pulling in their horns in the face of the recession. What seems to be true, however, is that the business downturn is breathing new, if somewhat different, life into the 10-year-old boom in company acquisitions.

True, some would-be buyers with troubles at home have vanished from the market place. But many more have moved in to take their places. The National Industrial Conference Board Business Record carries a long list of recent acquisitions. And there's hardly a day when the newspapers don't have one or two to report: There were over three-dozen mergers and acquisitions in June alone.

• **Changing Pattern**—Even more significant, perhaps, than the spurt in company mergers is the fact that the takeover pattern is changing. During the boom years, companies gobbled up concerns that often had little or no relationship to the parents' business.

Some took the plunge because they had a lot of cash in the corporate till and were in a hurry to grow; others wanted to leap out of stagnant industries in one jump; still others wanted to diversify to escape their own industry's bust-or-boom cycle. And a few wanted to move into new fields because they felt they would run afoul of anti-trust laws if they acquired outfits in their own industry.

• **Closer to Home Base**—Now the trend seems to be to stick closer to home. Much of this change in thinking was brought about by the bitter experience some buyers have had over the past years in handling their new acquisitions. Many of these new divisions have proved hard-to-manage—a heavy drain on management talent and the company treasury. In some cases, companies found their own top brass weren't versatile enough to learn from scratch the new industries.

These defects show up more obviously during the current business slide, when companies want to concentrate their major brainpower and money on their basic business, and when consoli-

dated balance sheets are no longer so handy in covering up the red ink of a losing division.

I. Why the Rush?

Talk with the people heavily involved in setting up company mergers and acquisitions and they give two main reasons why the takeover rush is again in full swing:

• An increasing number of companies faced with sliding profits and dimmer prospects have put themselves up for sale. At the same time, they've trimmed their asking prices. Consultants report that in the last six months the going rate for such firms has dropped from a high of 12 to 13 times earnings to 9 or 10 or less.

• Large corporations that have acquired subsidiaries or that went into new divisions during the boom are now interested in paring off some of these. Just last week, for example, Allen B. Du Mont Laboratories, Inc., sold off its consumer products divisions to Emerson Radio & Phonograph Corp. for over \$5-million. Du Mont says it will use the new cash to build up its remaining divisions.

• **Integration**—No matter why the company is on the sales block, buyers are concentrating on acquisitions that extend or integrate current operations, rather than a flyer into brand new fields. Just look at a few of the acquisitions that occurred in June: Haveg Industries, Inc., takeover of American Super Temperature Wire Inc.; American-Marietta & Co.'s acquisition of Southern Dye-stuff Corp., and American Potash & Chemical Corp.'s and Lindsay Chemical Co.'s marriage—and you can see clearly this trend.

American Super Temperature's filament business fits neatly into Haveg's line of high-temperature components; Southern Dye-stuff's paint products dovetail with American-Marietta's paint business. And American Potash and Lindsay are a similar fit. And consultant W. E. Hill reports six clients closing just such close-knit deals.

• **On the Watch**—While a growing number of companies have already

nailed down new acquisitions, others are biding their time, waiting for similar deals to come along. For example, a well-heeled New England furniture maker has trimmed operations and is conserving cash. It has long wanted to move into the Chicago market, and expects a number of Midwestern competitors to stumble, and wants to be in a position to buy. And a New England metals company, an old hand at diversifying, has been freeing up cash and lining up bank financing with an eye out for a good property. Its target: medium-sized companies with a line of products that complement the buyer's existing line.

• **Note of Caution**—Talk with the companies that are looking for concerns to take under their wing and you can't miss the extra note of caution they sound.

"We've seen what happened to one or two of our competitors when they moved too far afield," says one company president. "We can't afford to get hurt the same way so we're sticking to industries we know."

The vice-president of a Chicago machine producer, badly burnt in a previous foray into electronics, says his company is now confining its acquisitions to a program of buying up suppliers.

A large Midwestern company whose president used to pick all acquisitions "by whim, I guess," says an executive, now draws on outside consultants to help it evaluate all possible purchases.

• **More Foresighted**—Edward R. Bagley of Cresap, McCormick & Paget notes still another change in buyers' habits. They worry about how to integrate a new property, before acquiring it, instead of after. And purchasers, he says, have become much more circumspect about offering sellers such special inducements as long-term employment contracts to owners, promises not to move a plant or change personnel for at least two years, or a seat on the board. These can turn out to be millstones if the acquisition doesn't pan out.

• **Price Haggle**—There's also more haggling over price—which tends to lengthen the time required before buyer and seller hit on the right figure. There's also more use being made of the tax gimmick that permits a company that sells out for less than its depreciable assets to get a partial refund of the previous year's income tax from the government.

II. Who's "Unloading"

The other side of the coin in these deals—who's doing the selling—is equally interesting. In many cases, the selling

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15 FACTORIES • 42 SALES OFFICES

is being done by companies whose recent acquisitions didn't pan out. Rather than live with a mistake, companies are giving misfit divisions the deep six.

It's an open secret that many corporations have been burned by acquisitions. Booz, Allen & Hamilton, a consulting company, recently surveyed 56 leading U.S. corporations that had acquired a total of 128 concerns. It found that, over-all, management was pleased with only 40% of its purchases. And of 80 deals noted last February by the NICB in its running account of acquisitions, 15% involved some form of corporate divestiture—and the trend is up.

• **Logic**—Most sell-offs involve operations far afield from the selling company's regular production or marketing activities to concerns more closely allied to the division.

Du Mont's sale to Emerson fits this category. Another case is Eversharp, Inc.—maker of writing instruments and razor blades—which somehow got into the industrial machines field. In 1952, it bought Climax Engine Mfg. Co., a combustion engine producer of drilling and pumping rigs. Eversharp recently sold it off to a more likely owner, Waukesha Motor Co.

Bridgeport Brass Co., a producer and seller of non-ferrous metal forms, shapes, and sheet, is another example. During World War II, Bridgeport turned out large quantities of spray bug bombs. After the war, it sold off the property to Shulton, Inc., seller of a wide range of toiletries.

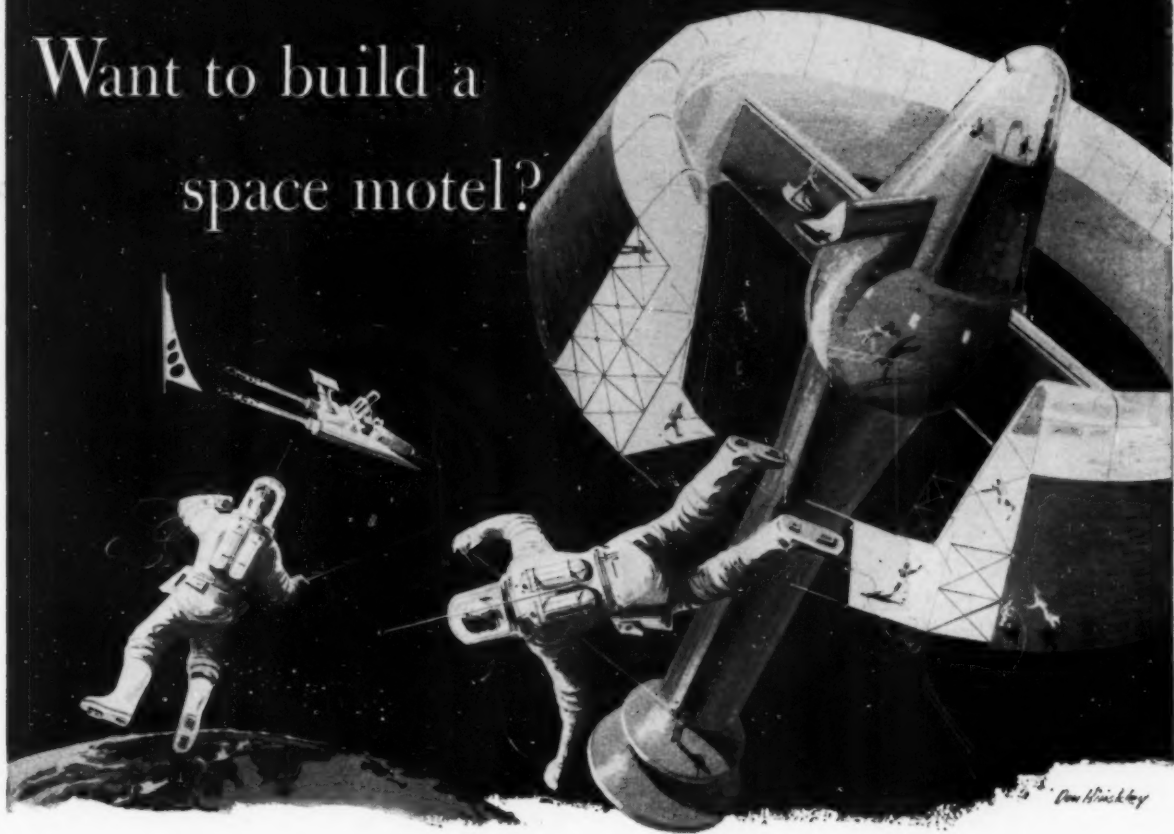
This does not mean diversification is disappearing; it still goes on for a variety of reasons. In the strange bedfellows department recently was Charis Corp., a women's undergarment manufacturer, acquiring Taylor Construction Co., a general construction concern.

• **Tax-Loss Umbrella**—Companies in a hurry to diversify out of tough or declining industry are in the market for a wide range of profitable properties. And tax-loss companies, of course, still tend to go into almost any business. For example, Servel, Inc., now mainly a corporate shell, with \$15-million in hand and an \$18-million tax-loss carry forward, is beating the bushes for new businesses. Another in this category is Consolidated Retail Stores, a 29-store retail specialty chain with \$5-million in tax credits (BW—Jun.14'58,p81).

• **Fewer Takers**—As the impact of the recession makes itself felt in red ink, more companies will be holding out tax-loss umbrellas to healthy partners. But they won't find as many takers as in lusher years. First, because would-be partners, their own profit margins down, will worry about their ability to make full use of the available tax credits. Second, because many mergers made for tax-loss reasons have racked up a poor showing (BW—Sep.2'57,p151). **END**

Space station of tomorrow. Shot into its orbit in sections by supermissiles, and assembled in space. It serves as a stopping place and launching platform for manned rockets on their way to Saturn and other planets.

Want to build a space motel?



Thompson Products can help you handle the job

IT'S BOUND TO HAPPEN in the not-too-distant future: an American space motel for rockets will be orbiting about the earth!

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If you're considering the development of an advanced product, let Thompson help get it into production.

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From Thompson's 21 research centers and 25 manufacturing plants come, each year, important new advances in mechanics, electronics, hydraulics, pneumatics, aerodynamics, thermodynamics and nucleonics.

In Management

. . .

Former Secretary of the Navy Takes Over As Head Man at Trans World Airlines

Howard Hughes—who has been shopping for a president for his Trans World Airlines ever since Carter L. Burgess left last December after a one-year stay studded by policy clashes with Hughes—found his man this week: former Secretary of the Navy Charles S. Thomas (picture).

Thomas, 61, a naval aviator in World War I, later was president and chairman of Foreman & Clark, a West Coast men's clothing chain. He was special assistant to the Secretary of the Navy during World War II, handling aircraft procurement. He joined the Eisenhower Administration as Assistant Secretary of the Navy. Later, in 1953, he became Assistant Secretary of Defense for Supply & Logistics, and the following year Secretary of the Navy. Thomas returned to business last summer, and became finance chairman for the GOP. He has also served on the boards of Lockheed Aircraft Corp. and Borg-Warner Corp. but is resigning these posts.



. . .

Glen Alden President Bows Out As Court Scotches Merger With List

Francis O. Case, president and one-time strong man at Glen Alden Corp., the coal company that diversified into air conditioners and fire engines—but not out of financial troubles—resigned last week.

He is succeeded by Harry W. Bradbury, executive vice-president. Operating control of the company now lies in the hands of List Industries Corp. However, a complicated plan that would have joined List and Glen Alden was recently blocked by the Pennsylvania Supreme Court.

Case stepped into money-losing Glen Alden in 1953. He diversified via acquisition into air conditioning and fire engine manufacture. Neither company did well—one proved a money loser—but Case stayed in the saddle.

Last year, Case almost single-handedly fought off an attempt by stockholders and directors to merge the company with Maremont Automotive Products.

However, by the end of 1957 Glen Alden was floundering in a \$2.9-million deficit. At that point, List Industries, showed up.

List Industries, 41% controlled by financier Albert List and his family, runs a string of movie theaters, is in the textile, oil and gas, electronics, and warehousing business. List had cash, was interested in Glen Alden's tax-loss credits, and had picked up close to 38% of the loss company's stock.

With Case's backing, a new reorganization plan got under way. It called for Glen Alden to take over List's assets in exchange for Glen Alden stock. List shareholders would have owned 80% of the resulting company, and all seemed well until minority stockholders of Glen Alden objected. In effect, they claimed the plan was really a merger and that they had been denied the right to have their shares evaluated and bought up in the event they didn't want to go along with the deal.

The court agreed, the reorganization was stopped in its tracks—at least for the time being—and Case stepped out.

. . .

Detroit Executives Trade Jobs Between Sports and Industry

In Detroit, enthusiasm for business has always been mingled with enthusiasm for sports. Now the ultimate has happened. The general manager of the city's professional football team resigned to become a vice-president of the manufacturing company that owns Detroit's professional basketball team, and the president of the state's No. 2 brewery resigned to take the football manager job.

Nicholas Kerbawy, the Detroit Lions' general manager, signed up as vice-president of Zollner Piston Ring Co. of Fort Wayne, Ind., which last year moved its pro basketball team to Detroit. Despite his corporate title, it is understood that his main duties will be as general manager of the Detroit Pistons, with special emphasis on bringing favorable publicity to the company and boosting attendance at the games. The Pistons' gate was disappointing last season.

Edwin J. Anderson, who resigned as president of Goebel Brewing Co., has long been interested in Detroit sports. For 15 years, his company sponsored broadcasts of Detroit Tigers baseball games and Detroit Lions football games, and he himself has been part owner of the football team whose general manager he now becomes.

. . .

Management Briefs

Under an FTC consent decree, Automatic Canteen Co. of America, the biggest vending machine company in the world, pulled back on the traces. It won't acquire any vending machine makers for 10 years, will get rid of 13 service affiliates picked up in the 1955 acquisition of Rowe Mfg. Co., a competitor, and promises to make 50% of Rowe's production available to competitors.

Rush H. Kress, who lost his fight to keep the Kress Foundation trustees from running S. H. Kress & Co. (BW-Mar.15'58,p38), has stepped down as chairman from the company he once ran with an iron hand. He was replaced by Paul L. Troast, one of the foundation's trustees.

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offers exceptional resistance to wear

New Jessop TRU-WEAR-FM solid or clad plate is rolled from a special analysis steel designed for exceptional resistance to abrasive wear. When compared with other steels in this category, it offers less distortion during heat treatment, and up to 10 times the wear resistance with equal impact strength. Fabricators of chutes, mold boxes, special cutters and other applicable equipment should take note.

For additional information, write or call Jessop Steel Company at Washington, Pa. or any of the addresses shown below.

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Industry's chemicals:

WHAT'S MAKING NEWS?

Today, more than ever, industrial progress depends on chemistry. But chemistry's growth has been so rapid that top management finds it hard to keep up with important product developments—many of which have profitable applications in many businesses. This is the first in a series of news notes to give you facts about chemicals—the new ones and the more established ones—that may have dollars-and-cents meaning for your own operation.

NUMBER

1

You may wish to check certain items in this advertisement and forward to those concerned in your own company.

Route to:

CHEMICAL "CLAW" INACTIVATES IMPURITIES

Manufacturers faced with problem of metallic ions in industrial liquids capitalize on unique properties of cost-saving chelates.

Metallic impurities in water—long the plague of countless industries—have met their match. The answer comes from an unusual, comparatively new process called "chelation". Its objective is the quick, economical inactivation of metal ions in water and other liquids used in manufacturing and processing. Its tools are a unique group of chemicals called "chelating agents". Foremost among these are Versene®, Versenol® and Versenex®, all products of Dow.

The word "chelation" comes from the Greek *χηλη* (*chele*), meaning "claw". It's an appropriate word, graphically descriptive of chelating action. This action has been likened to a claw closing around and isolating metallic ions—rendering them as fully inactive as if they had been removed from the liquid. Like criminals in chains, they're still there . . . but they can't do any harm.

Traditional methods of purifying liquids often prove far too costly for many industries and many applications. In these cases, chelation is the perfect solution.

We find chelation at work, for example, in the protection of products subject to hard water action. The benefit to liquid soap and shampoo manufacturers is obvious. According to one such manufacturer, "Versene in our

formula increases shelf life, prevents clouding, color change and insoluble soap formations, and increases lathering. It means better cleaning, too. Best of all, it keeps our product clear, attractive and saleable indefinitely."

The many different formulations of Versene, Versenol and Versenex—each for a specific use—have proved invaluable to a number of industries. Examples: In making rubber, Versene inhibits copper and manganese ions which would cause cracking and rapid deterioration. In dyeing textiles, Versene eliminates streaking and spotting caused by iron, calcium or magnesium ions in the dye. In cleaning boilers and heat exchangers, Versene can be the answer to difficult scale removal problems for industry.

There's a medical potential, too. Use of chelates as decontaminants for radioactivity and in dissolving kidney stones and decalcifying bones is being studied. They have been credited with saving the life of a baby suffering from acute lead poisoning.

Past performance of Versene, Versenol and Versenex is impressive but the best is yet to come. Chelation's future seems limited only by the bounds of the imagination.

New solvent:

metals come clean . . . safely!

MOST manufacturers have to degrease or clean metal occasionally, if only in typewriters. But plant safety is a priority concern of management and



These three graduates contain: 1. Soft water and soap. 2. Hard water and soap. 3. Hard water and soap plus Versene. Foaming qualities of the first and third graduates are identical.

solvents often furrow brows. With one, the hazard is fire, with another toxicity. As a leading solvent producer, Dow put research teams to work developing a solvent which presents neither hazard. When Chlorothene® was introduced, another significant growth story began. The reason was simple. Chlorothene presents a substantially lower fire hazard than petroleum safety solvents commonly used. It has very low vapor toxicity. As a fast solvent for the cold cleaning of metals, it is a safety director's dream.

Chlorothene now stands unchallenged for safety spray, dip, bucket and wipe cleaning of metals. It's still quite new but is finding a place in more plants almost every day.

Taking the fire hazard out of heat-transfer

DOWTHERM®A is a heat-transfer medium delivering high-temperature, low-pressure, easily controlled heat. One food manufacturer reports: "In frying quality potato chips, we felt we needed direct fire to provide even, pinpoint temperatures. Dowtherm proved us wrong. Now we have higher precision frying and yet we've taken the fire out of the frying pan . . . and out of the plant."

Management men concerned with safety in rubber, petroleum, chemical and other industries have made the same happy discovery.

★ ★ ★ ★

Faster—safer—better. The adjectives for chemicals are many today. The products are not all new but they're all good news to profit-conscious management. More particulars on products discussed here can be obtained by writing Chemicals Sales Department 850B-1, THE DOW CHEMICAL COMPANY, Midland, Mich.

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YOU CAN DEPEND ON



Other Dow chemicals of interest to the business community

THESE ITEMS ARE WORTHY OF NOTE

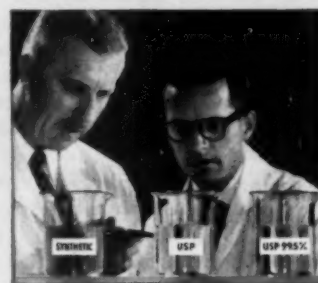
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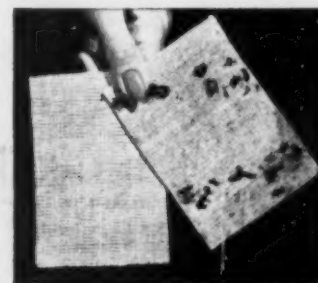
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Dowflake® and Peladow® control dust around construction sites. Contractors discover calcium chloride products from Dow not only lay dust and melt ice, but speed setting and strengthen structural concrete.



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banker for builders

Ask Tom Johnson about the most important factor in building a bridge or a highway and he'll answer instantly: it's the superintendent on the job.

Mr. Johnson should know. In the years he's been with The First National Bank of Chicago, he's had the opportunity to talk with hundreds of these men. He is capable of evaluating a man's ability to handle workers, to use machinery effectively and to meet schedules.

Here you see him observing construction on a water filtration project to cost approximately \$75 million. He'll talk with the superintendents, check and make sure that the progress of the job is in keeping with the scheduled financial agreements.

Whether it's a contract for curbstones or moving 13 million yards of earth (as one customer is now doing) he's in a position to provide current information and work out a financial schedule to get the job done.

Tom Johnson is typical of the men in the 10 Divisions of our Commercial Banking Department. Each Division serves one group of industries exclusively; each officer studies his field constantly.

Whether you build bridges or bake bread, you'll get down to business fast and receive better banking service when you meet with the men from The First National. They speak your business language. Why not talk your situation over with us soon?



The First National Bank of Chicago

Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



LABOR

Hoffa's Transport "Empire"

● Teamsters president lines up first unions for new truck-rail-air-sea federation that could include 3.5-million transportation workers in its membership.

● To go much further, he'll have to surmount barriers of industry, Congress, and labor.

● For employers, the question is whether jurisdictional peace would offset bargaining threat of the alliance.

With three key links already in the chain, the powerful International Brotherhood of Teamsters is trying to pull together all the nation's transport unions into a new labor federation.

The plan is for an alliance of truck, rail, air, and maritime unions, which—as a first order of business—would peacefully settle recurring jurisdictional fights over who handles the products from the producer to the consumer. It would encompass some 3.5-million transport workers if accomplished.

Eventually, such a federation could get into mutual bargaining, organizing and pursuit of legislative goals. At least, that is the strategy of the union leader who forged the first part of the chain, Teamsters Pres. James R. Hoffa.

• **Employers' Angle**—The big question for all employers—since the effects of such a federation would hit all producers and not just transport management—is whether the possibility of relief from union jurisdictional fights would sufficiently offset the eventual prospect of having to cope with a union alliance in the transportation field.

The threat of an alliance is a long way off, and it's a question just how serious a threat it is. Certainly, there are a number of good sized barriers in Hoffa's way—roadblocks set up by employers, Congress, and labor itself.

This is a gamble on Hoffa's part, backed by the truck union's economic muscle and the realization that other unions need its help. Even if the Teamsters can't go all the way in the face of heavy opposition, the union already has a good start on an alliance of sorts.

I. The First Step

The fast-moving Hoffa won his first recruits before his opponents knew what was going on. He did it the hard way—by bringing together traditional rivals in the maritime industry. Hoffa got, on the dotted line, the signatures of Pres. Joseph Curran of the National Maritime Union and Capt. William V.

Bradley, head of the International Longshoremen's Assn., as charter members of the new alliance.

Even more important was one signature that wasn't there but was promised—that of Paul Hall of the Seafarers' International Union. Hall and Curran have been bitter enemies in a battle for seamen's jobs. There have been repeated attempts at peacemaking, but Curran says this is the "first forum" that has a chance of success.

All the document does, at this time, is set up a permanent "conference on transportation unity . . . for the purpose of discussing and settling jurisdictional disputes, matters of mutual concern, and matters affecting progress and stability in the transportation industry." The next step is an invitation to some 50 transportation unions to attend the initial meeting next month.

• **Next in Line**—The alliance of truckers, dockworkers, and seamen is the first concrete move, and a big one—even though it doesn't yet include Harry Bridges' controversial West Coast dockers' union and the AFL-CIO's International Brotherhood of Longshoremen. Both will be invited to the conference, along with railroad brotherhoods, airline unions, and others.

II. The Opposition

As far as the maritime industry goes, one Hoffa plan is to work out a joint organizing venture on the Great Lakes. This would mean a coordinated effort by dockworkers, seamen, and truckers on the St. Lawrence Seaway.

Another goal is to settle a comparatively new jurisdictional problem—piggybacking and fishybacking, or carrying truck trailers by rail and by ship. Here the Teamsters' territory runs into those of rail, dock, and sea unions.

In announcing the new pact, Hoffa pointedly noted that he "didn't see how" the AFL-CIO could object to a plan where unions are helping each other. NMU Pres. Curran denied any-

one plans to set up a rival to the AFL-CIO; if so, he added, "I wouldn't be in it."

Both were directing their words to AFL-CIO Pres. George Meany who, though in Europe at an international labor conference, undoubtedly had some unflattering opinions of the program. Meany has urged AFL-CIO unions to keep aloof from the trucking union since its expulsion on corruption grounds last December.

Curran, a member of the Ethical Practices Committee which led the Teamsters ouster, defended the pact as "in the best interests of the working man," despite AFL-CIO's official frowning on the Teamsters. He pointedly noted that Machinists Pres. Al J. Hayes also has a working pact with the Teamsters, even though he's head of the Ethical Practices Committee (BW—Jun. 21 '58, p. 127).

The conference on transportation unity is another coup for Hoffa, who is uninhibited in displaying his delight at breaking down the federation barriers—one by one. The IBT now has about a dozen pacts with AFL-CIO affiliates.

• **Waterfront Power**—The fact that Curran's union signed up with the Teamsters is clear evidence of the trucking union's power on the waterfront. As the union that hauls goods to and from the docks, it has the strength and strategic role to help or refuse help in strikes, bargaining, and organizing.

This economic power is more limited in other transportation areas, and Meany's position may be supported by AFL-CIO unions anxious to keep out the Teamsters as well as by the railroad brotherhoods. As far as the big rail unions go, they're not much involved with the Teamsters now, and aren't anxious to be. Guy L. Brown, head of the Brotherhood of Locomotive Engineers, warned BLE members against the alliance, commenting, "I would fear for a combination of that kind."

Opposition to any broad alliance may also come from Congress. Already two members of the McClellan labor-management rackets investigating committee—Sen. Karl Mundt of South Dakota and Sen. Carl Curtis of Nebraska—warn that the transportation alliance would be considered a labor monopoly.

The McClellan counsel, Robert F. Kennedy, calls the prospective pact "dangerous to the economy and the U.S." and says Hoffa will be questioned on it when he appears before the committee later this month. **END**

Rinsing a transistor after soldering. Lansdale Tube Co., Lansdale, Pa., a division of Philco Corp.

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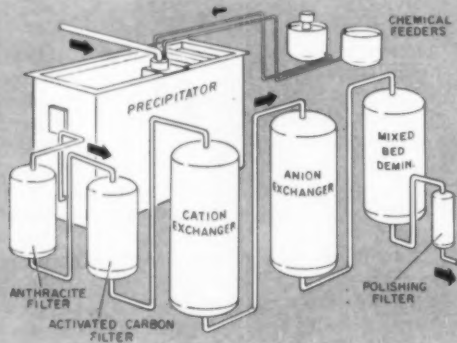
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UAW's Watchdogs Try Their Teeth

The men pictured on the right are leaders in an effort that may help shape the whole future course of the labor movement. They are the principal officials of the Public Review Board of the United Auto Workers. Their kind of operation, extended to other unions, could forestall future Congressional investigations of the type that have been getting headlines for Sen. John McClellan's probe of improper union activities.

The board is barely a year old, and only two dozen cases have been called to its attention. But it has had to deal with some of the thorniest issues on the labor scene, some even paralleling matters that have come under the scrutiny of the Senate investigating committee.

The senators have heard charges of rigged local elections, of the trampling of individual rights within unions, of collusion between management and local leaders against workers, of undemocratic procedures in unions. All these things also have been presented to UAW's Public Review Board. The importance is not in the substance of the allegations—the various actions reviewed by the board were minor in effect and limited in scope. The importance, rather, is in the existence of an impartial body to which a union and its members can turn for a binding decision.

• **"Exhibit A"**—It's a good bet that the matters on which the UAW board has ruled never will come before a Congressional committee—for the very reason that they already have been publicly handled by a body outside the union. That supposition points up the real meaning of the Public Review Board. Labor's chieftains have said they can police their unions, that they don't need legislation to compel them to do it. UAW's board therefore becomes Exhibit A.

I. Walking the Beat

The Public Review Board is like a policeman walking a beat. He's there to hear complaints, to investigate suspicious circumstances, to keep public order. That, broadly, is the board's charter. To Walter E. Oberer, executive secretary, the board's function is very broad: "To maintain the integrity of the union."

• **Purpose**—The board was written into the UAW constitution at the convention in April, 1957, "for the purpose of insuring a continuation of high moral and ethical standards in the administrative and operative practices of the in-

ternational union and its subordinate bodies, and to further strengthen the democratic procedures and processes and appeal procedures within the union as they affect the rights and privileges of individual members or subordinate bodies." UAW Pres. Walter Reuther boils the board's function down to "acting as a public watchdog."

The "watchdogs" were selected from three great segments of society that influence public opinion—religion, law, and education. Their chairman is Rabbi Morris Adler of Detroit. Others on the board are Monsignor George G. Higgins of the National Catholic Welfare Conference; Bishop G. Bromley Oxnam, Methodist bishop of Washington; Magistrate J. Arthur Hanrahan of Windsor, Ont.; Judge Wade H. McCree, Jr., of Michigan's Third Circuit Court in Detroit; Dr. Clark Kerr, chancellor of the University of California; and Dr. Edwin Witte, professor at the University of Wisconsin and nationally known authority on labor relations.

The timing of the board's establishment was revealing. Reuther has long had a reputation in labor for insisting on absolute incorruptibility in union affairs. UAW leaders claim that for at least two years prior to the 1957 convention they had been mulling the idea of some kind of appeals board for union members who didn't think they were getting a fair shake. But it was right at the height of the McClellan committee's revelations of Teamsters scandals that UAW announced its plan for the Public Review Board.

• **Upholsterers' Board**—There was a precedent. The Upholsterers' International Union has had an appeals board for five years. But the UIU board is only an historical precedent. It has had only one case since its founding, and its rights differ in one marked respect from the auto union's board. The Upholsterers board's decisions can be appealed to the union's convention. UAW Public Review Board decisions are final.

In the auto union, a member has two courses of appeal. He can go through his local union to the international executive board and then to the biennial convention. Or, he can go through his local to the international executive board and then to the Public Review Board. He can't use both the review board and the convention. That, then, means the Public Review Board is sitting in judgment on UAW's international executive board—the leaders who are elected to govern the union between conventions.

In the review board's decisions up to



RABBI Morris Adler of Detroit is chairman of UAW's Public Review Board. Other religious leaders serve on board.



MAGISTRATE J. Arthur Hanrahan of Windsor, Ont., is one of several executive committeemen; he is in the law field.



JUDGE Wade H. McCree, Jr., of Michigan's Third Circuit Court is the third member of the executive committee.



Bruning Copying Machines Provide *Smooth Sailing* Paperwork on the Rough Alaska Run!

■ The Alaska Steamship Company, Pier 42, Seattle, Washington, pioneer in the Alaska trade and developer of the nationally-recognized "unitized" cargo service, has solved a big problem on the rugged Alaska run with modern Bruning Copyflex copying machines.

With Copyflex, Alaska Steam processes up to 1700 bills of lading per ship on a fast, one-writing basis. Shippers are supplied inexpensive translucent bill of lading forms on which they write or type shipping information. Directly from these forms, Alaska Steam uses Copyflex to reproduce freight bills, notices of arrival, delivery orders. No clerical copying errors. Alaska Steam greatly reduced clerical work, gives shippers faster and better service!

Copyflex can bring you remarkable paperwork benefits, too! Machines are clean, odorless, economical—letter-size copies cost less than a penny each for materials. Call your nearby Bruning office, today, or write: Charles Bruning Co., Inc., 1800 Central Rd., Mt. Prospect, Ill. In Canada: 105 Church St., Toronto 1, Ontario.



H. E. Chesebrough, veteran terminal agent of Alaska Steamship Company, pioneered the use of Bruning copying machines which have resulted in paperwork savings for his company and better service to shippers.



Copyflex Model 575—Bruning's top model for ultra-fast, heavy-volume copying. Full 46-inch printing width. Other models for every use, including desk top model.

BRUNING

Copyflex



EXECUTIVE SECRETARY of UAW's watchdog group is Walter E. Oberer.

now, the international executive board has looked pretty good—although the most severe test may yet be ahead.

II. Board's Deliberations

The Public Review Board, despite its broad charter, has been conducting itself as a "supreme court" concerned with facts of the law—in this case, adherence to UAW's constitution. In doing so, it has set up certain rules of procedure. For instance, anyone wanting to appeal to the board must file a written statement, citing specific facts upon which the case is based, and the pertinent sections of the union's constitution claimed to be violated.

• **Procedures**—The board uses one of three techniques in arriving at a decision: (1) It will hear both evidence and argument in a courtroom-like procedure; (2) it will study written evidence and then hear only argument on that evidence, or (3) it will send out a hearing examiner to compile all the facts and will base its decision on the examiner's presentation, although the parties may appear before the board if they wish.

You have to be aware of these procedures when you try to assess what the board has accomplished. The first 11 cases to come before it were concerned with seven local and four international officials who cited either the First or Fifth Amendments in testimony before Congressional committees. The international executive board decided that the actions of the four international employees were not in conflict with the AFL-CIO Ethical Practices Code, which bars use of the amendments, but made no decision on the other seven, whose actions were upheld by their local unions.

The review board's area of concern was very narrow: whether the international executive board and the local



Ermal W. Marsh



PIPER *Apache*

aids expansion of fast-growing food chain

A Piper Apache, twin engine executive transport, has been a big factor in the phenomenal growth of Marsh Foodliners, Inc., Midwest supermarket chain which last year grossed \$60,000,000.

Four years ago Ermal W. Marsh, president of Marsh Foodliners, learned to fly a single engine Piper Tri-Pacer in order to handle his business travel more efficiently and pleasantly. In 1956 he earned his multi-engine pilot rating and bought an Apache.

"We've continued to expand so fast we may soon have to become a two-Apache company," says growth-minded Mr. Marsh.

Each year since he started to travel by company plane, Mr. Marsh has seen his company grow 30 to 50 per cent over the previous year. The Foodliner chain now includes 31 supermarkets in Indiana and Ohio as well as 10 in South Carolina, some 600 miles distant from the general plant headquarters in Yorktown, Indiana.

"The Apache is ideally suited to our needs," says Mr. Marsh, "since it lets us land at every type of airport, from large city terminals to small fields convenient to our outlying stores.

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Ermal W. Marsh, 47-year old president of Marsh Foodliners, Inc., at the controls of his Piper Apache.

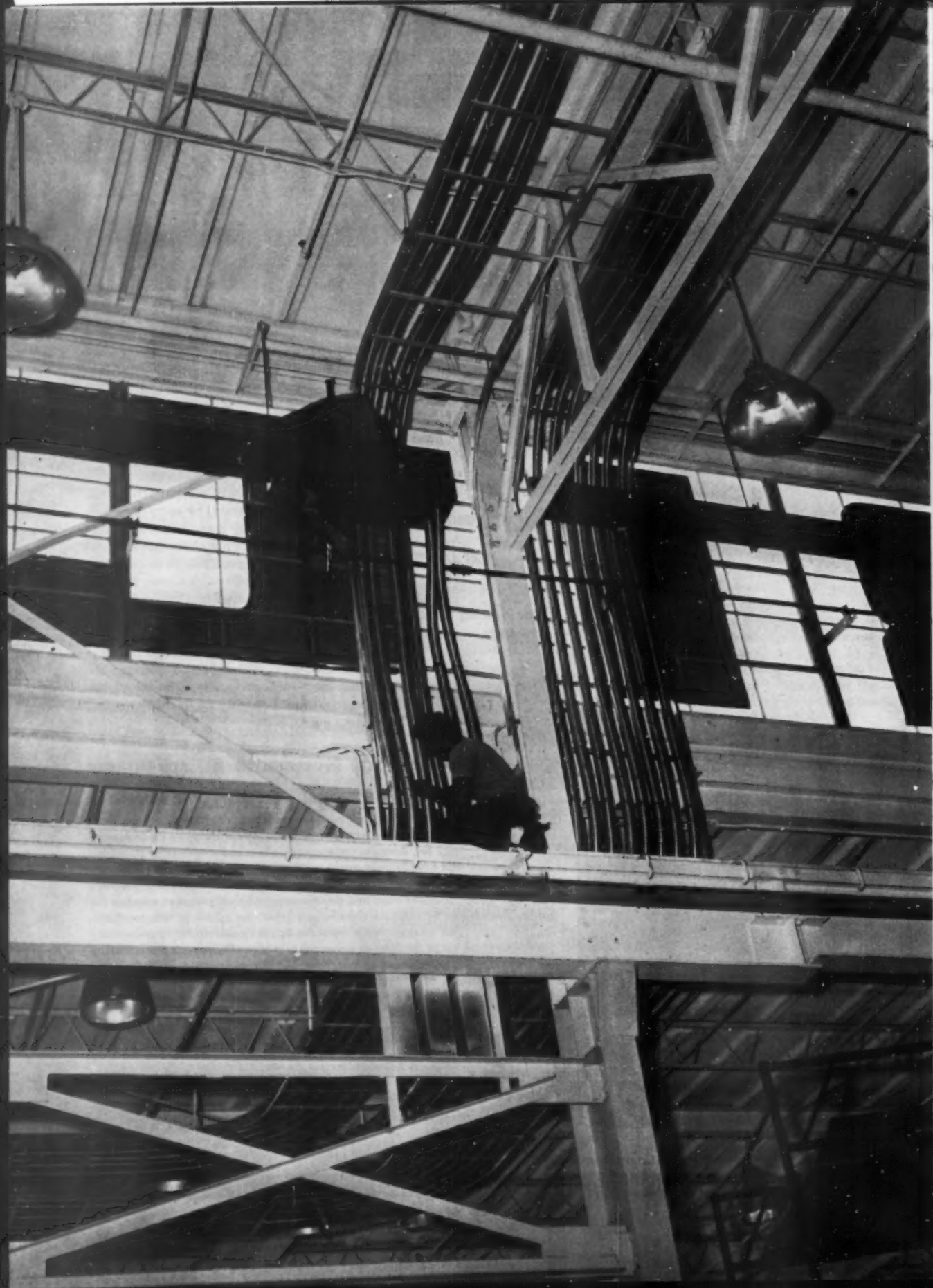
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B-21

*"... board blew its whistle
on philosophy a signature
on a union card signs away
personal rights . . ."*

STORY starts on p. 81

unions had acted in accord with the UAW constitution. The board decided they had. The board did not concern itself with whether or not the men actually were in conflict with any code of ethics.

• **Fundamental Issue**—In its next significant case, the review board got down to basic facts of union life. An election in a local union in Buffalo caused heated campaigning. Two men claimed they were libeled in campaign literature. They began a court suit for damages. In due course, the two men were suspended from membership by the international executive board because the union constitution says that no member shall "appeal to a civil court for redress until he has exhausted his rights of appeal under the laws of the international union."

But, said the Public Review Board after a public hearing, "the right which appellants asserted in the civil court—that is, the right to seek compensation in damages because of the circulation of the handbill—is a right which appellants hold as members of society rather than as members of the union." In effect, the board blew its whistle on the labor philosophy that a signature on a union card signs away all personal rights.

In its most recent decision, the review board again dealt with individual rights as protected by the union's constitution. This concerned a worker who was unpopular with her fellow workers. All the workers were laid off, but the appellant was not recalled because of grievances filed against her with the local union. The appellant was given a hearing by the local, but not a trial as she demanded and as the constitution provided. The international executive board ordered the local to pay her back wages of \$500 and the local appealed to the Public Review Board. The board upheld the international.

• **"States' Rights" Case**—Still to come is what might be the board's most important decision. Local 970 (Peoria, Ill.) is appealing the action of the international executive board in supplanting the local leadership with an administrator. Oberer calls this the "states' rights" case as it gets to the heart of the conditions under which a local union has autonomy in a federation.

The right of international headquarters to appoint a trustee for a local

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"... one thing UAW's review board must do is slowly cause the rewriting of union Constitutions . . ."

STORY starts on p. 81

union is fundamental to many union leaders. Only in this way, they argue, can international officers be certain of forcing compliance with union rules desired by the majority of members. However, the right to appoint trustees for local unions can be abused—and in the case of the Teamsters, McClellan probers say it has been. Until Teamsters Pres. James R. Hoffa recently began lifting the many administratorships (BW—Jun.28'58,p93), some locals had been under trustees for years. Normal UAW practice is for an administrator to hold the local only until a new election can be arranged. In the Peoria case, the issue is whether UAW's international executive board acted in accord with the union's constitution.

The Public Review Board admittedly is feeling its way gingerly into a new area of union affairs. At the same time its members are conscious that they are conducting a pilot operation, which, they hope, will be a model for all other unions.

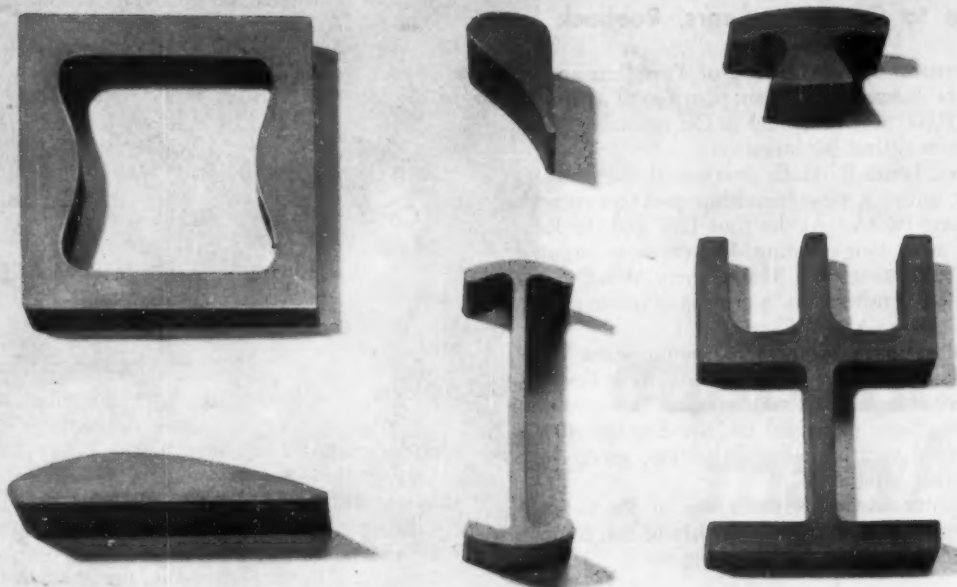
• Basic Difficulties—There are enormous difficulties in the way of an extension of the public review board idea into all unions. For one thing, union constitutions usually were not written by lawyers but by unionists. This means they are phrased in such a way that they may mean one thing to a union member but something entirely different to an outsider. And attacks on unions as violators of civil rights almost invariably come from outside unions.

So one thing UAW's review board—and any boards modeled on it—must do is slowly, by force of decision, cause the rewriting in more precise language of union constitutions. This will not be easy, as can be testified by anyone who has ever observed the way union constitutional provisions are hammered out at big, noisy union conventions.

This brings up another difficulty in the way of widespread adoption of the review board idea. Most labor unions proclaim their adherence to "democracy" in conducting their affairs. Some thoughtful observers wonder if a labor union really can be "democratic" in the accepted sense.

An effective union, they muse, must be militant. But are militancy and democracy compatible? Says one man: "A union, just as an army, must have discipline, and an army certainly is not democratic." **END**

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In Labor

• • •

Teamsters, Retail Clerks Join Forces For Drive to Organize Sears, Roebuck

The International Brotherhood of Teamsters and the Retail Clerks' International Assn. plan a joint attempt to unionize 200,000 Sears, Roebuck & Co. employees—hold-outs up to now against big unionism.

IBT's Pres. James R. Hoffa announced the campaign as the first under a new friendship pact between the Teamsters and RCIA. At the time IBT and the Retail Clerks put aside long-standing differences to negotiate a contract settlement with Montgomery Ward & Co., spokesmen said it ushered in "a new era of union progress in retailing" (BW—May 31 '58, p41).

Sears replied to the campaign announcement with a statement that "most employees apparently believe that unions would bring them no advantages." According to the company, Sears pioneered in "the five-day, 40-hour week, extended vacations, hospitalization, group insurance, and other benefits."

A Sears profit-sharing program, one of the country's largest, gives employees 26% ownership of the company through an \$800-million profit-sharing fund.

• • •

Mine Workers Will Demand Same Pay If Nickel Company Cuts Work-Week

The Mine, Mill & Smelter Workers will demand a 32-hour week at present 40-hour pay in bargaining this year with International Nickel Co. of Canada, Ltd., officers of the independent union announced this midweek.

The company plans to reduce production at its Sudbury, Ont., mines by about 20% in mid-July. Smaller cuts were made in April and again in May. To avoid layoffs, it will reduce operations from five to four days a week.

The 32-hour week demand by MMSW is an answer to the cut in the work-week. Union officers say it's to prevent "the loss of a day's pay each week [and] a serious reduction in living standards."

• • •

20 States Act to Extend Jobless Pay For Workers Whose Benefits Are Gone

Twenty states and the District of Columbia have taken steps to extend unemployment compensation for workers who have exhausted normal benefits. To get the program under way in the states planning to use federal loans, allocations of \$55-million have been made from the \$665.7-million appropriated by Congress (BW—Jun. 28 '58, p95).

Secy. of Labor James P. Mitchell said early this week:
• Fifteen states and the District of Columbia are

participating in the federal loan program. The states are Alabama, Arkansas, California, Delaware, Indiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Nevada, Pennsylvania, Rhode Island, and West Virginia.

• Five have amended their laws to pay additional benefits out of state UC reserves. They are Colorado, Connecticut, Illinois, Ohio, and Wisconsin.

The plans for temporary additional unemployment benefits cover 30-million workers—roughly two-thirds of the 43-million under the federal-state UC system.

• • •

Labor Suspects It Too Must Share In Cost of Future UC Gains

There is a growing feeling in labor that if unemployment compensation programs are to "make progress and benefits increase," employees may have to share in the financing.

When UC plans were first established, 13 states required joint employer-employee contributions. Since then, these all have joined the other states in adopting uniform employer-only financing.

During the recent legislative session in Illinois, a state senator from Chicago announced that a bill to require employee contributions will be introduced in 1959 with labor support.

Last week, R. G. Soderstrom, president of the Illinois State Federation of Labor, partially confirmed this. The organization's next convention, in October, will be asked to approve such a proposal, he said, commenting, "I personally think it would be better . . . and I rather anticipate our fellows will be willing to contribute to jobless benefits."

As it is now, unions "must fight constantly" with employers and their associations when UC changes are considered. "We are always clouted with the charge that employers have to pay the entire bill," Soderstrom said.

• • •

Two Unions Will Make Another Try To Scale the Wall at Mesta Machine

Two AFL-CIO unions—the United Steelworkers and the International Molders & Foundry Workers—will try again to unionize Mesta Machine Co.'s mile-long works in West Homestead, Pa., one of basic industry's last big unorganized operations.

The National Labor Relations Board last week ordered representation elections held among Mesta's 3,500 workers, a frequent goal of union drives since the mid-1930s. USW has failed in at least three campaigns since then, although the Mesta works is in the heart of the tightly organized Monongahela River steel area.

Other unions have similarly tried and failed. Last year, the Molders lost (489-to-450) in a bid for a 1,000-member craft unit. It has narrowed its campaign this year to 600 foundry workers. USW wants all production workers.

Only the tiny Pattern Makers League has a toehold in the Mesta plant. It carved out a 65-member craft unit in 1951.

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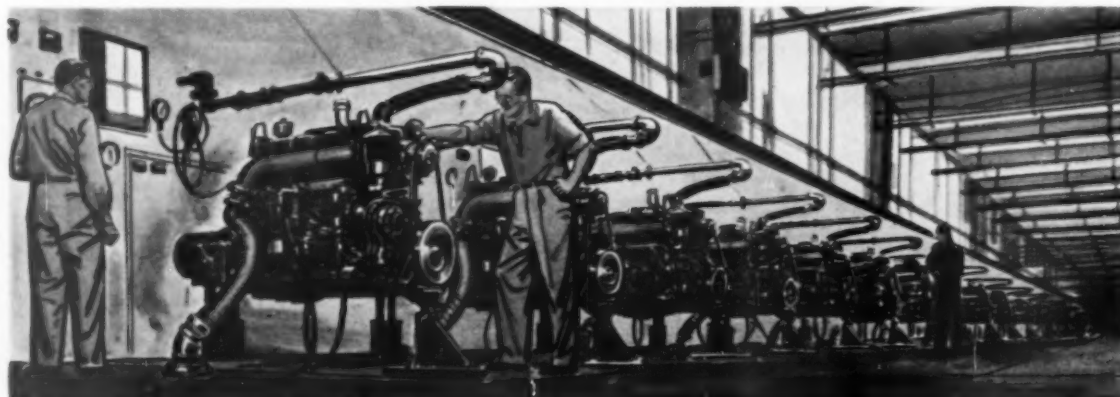


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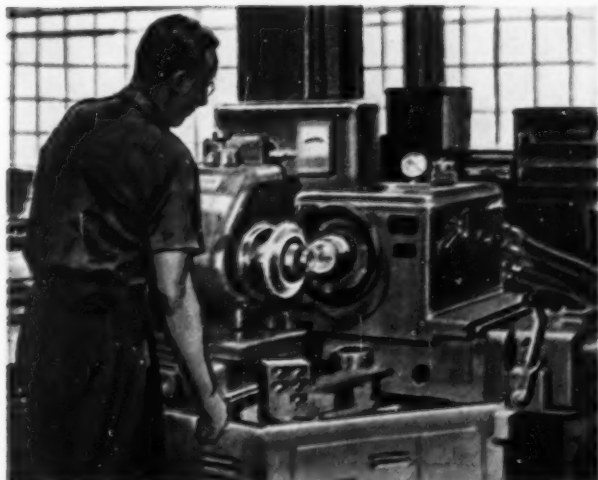
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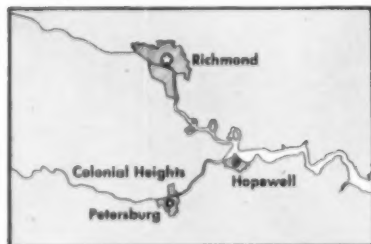


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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 12, 1958



Big decisions are pending on U. S. foreign economic policy.

The foreign aid and reciprocal trade bills are at the critical stage right now. These bills have reached the Senate, with final action likely in a matter of days.

Wheat and coffee, which involve our relations with Canada and Latin America, are getting top attention from the Administration. Special treatment for these two commodities seems to be in the cards.

Then, the Administration is moving toward a decision on a plan to increase the resources of the International Monetary Fund and the World Bank (BW—Jun.21'58,p26). There may be a White House statement on the plan late in August, just ahead of the Commonwealth conference in Montreal and the IMF-World Bank meeting in New Delhi.

The outcome on aid and trade hangs in the balance this week as the Administration and the opposition in Congress get set for the final battle.

On aid, the Administration is concentrating its efforts on having the Senate restore the cut made by the House in the Development Loan Fund (from \$625-million to \$300-million). C. Douglas Dillon, Under Secretary of State for Economic Affairs, is leading the Administration fight.

On trade, the main struggle centers on whether the reciprocal trade program should be extended for five years, as requested by Pres. Eisenhower, or for three years. The Administration insists it needs the longer extension if the U. S. is to negotiate successfully with the European Common Market. But, at midweek, it looked like a tossup between a five-year or a three-year extension.

On both aid and trade, Dillon's pitch is this: The U. S. needs adequate economic weapons to fight the Soviet economic offensive, discourage the growth of protectionism abroad, curb the spread of recession, and maintain a reasonable rate of development in the underdeveloped countries.

In Ottawa this week Eisenhower listened to Canadian complaints about the U. S. disposal of surplus wheat abroad. So, in an attempt to placate Ottawa, Washington is ready to dust off an old proposal for joint wheat disposal.

It's a scheme for cooperation in aiding individual, food-short countries to establish food reserves as a hedge against famine. Originally the scheme was evolved as an answer to pressure in the United Nations for a world food bank. Now the idea would be for Canada to finance its own contribution to a food bank for, say, India. But Washington would cooperate in deciding how much the U. S. and Canada each would contribute. That way the Canadians probably could dispose of more wheat than if the two countries go on competing as they do now.

Latin America's coffee surplus, though, is more urgent than the Canadian wheat problem. Latest Agriculture Dept. estimates predict a carry-over of some 35-million bags of coffee by the end of the year—enough to supply the U. S. market for nearly two years. Meanwhile, coffee prices have begun to skid again.

Latin American and African producers already are meeting in Washington, trying to reach agreement on long-term export quotas. Even if they come up with something, several of the Latin American coffee countries will need short-term U. S. financial assistance.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JULY 12, 1958

Washington officials also have a weather eye out for Western Europe. Disturbing symptoms of recession seem to be developing there, especially in the export industries of Britain, Belgium, and even West Germany.

West Germany's export orders are down 17% from April. British companies, especially the smaller ones, also report a sharp drop since April.

Washington naturally isn't accepting the responsibility for the decline. European exports to the U. S. have held up well, despite our recession. Western Europe is running a fat payments surplus with the dollar area, and has received most of the \$1.5-billion in gold that has left the U. S. since January. Falling exports to the raw material producers constitute the real source of Europe's trouble.

There is no panic in Europe. The British government, for one, is moving fast to stem any real recession. But the signs of trouble across the Atlantic are something to watch. They are certain to increase support, both here and abroad, for the Administration's plan to help refloat world trade via the IMF and the World Bank.



Before long there may be East-West technical talks on ways of preventing a surprise nuclear attack. Washington is ready to accept Moscow's offer to hold such talks. They would parallel the technical discussions being held in Geneva now on the policing of test suspension.

Washington won't rush into the new negotiations until it sees whether anything comes out of Geneva. Soviet and Western scientists seem near agreement on the detection of tests. But there are signs that Moscow intends to turn any Geneva agreement into a propaganda maneuver against the U. S. And at midweek, the Soviet radio renewed its propaganda campaign against the patrol flights of U. S. bombers armed with hydrogen bombs.

Meanwhile, Soviet Premier Khrushchev is using a visit in East Germany to blast NATO plans for giving West Germany atomic arms. Khrushchev may well decide to make this a really hot issue this summer—one that would overshadow any East-West technical talks.

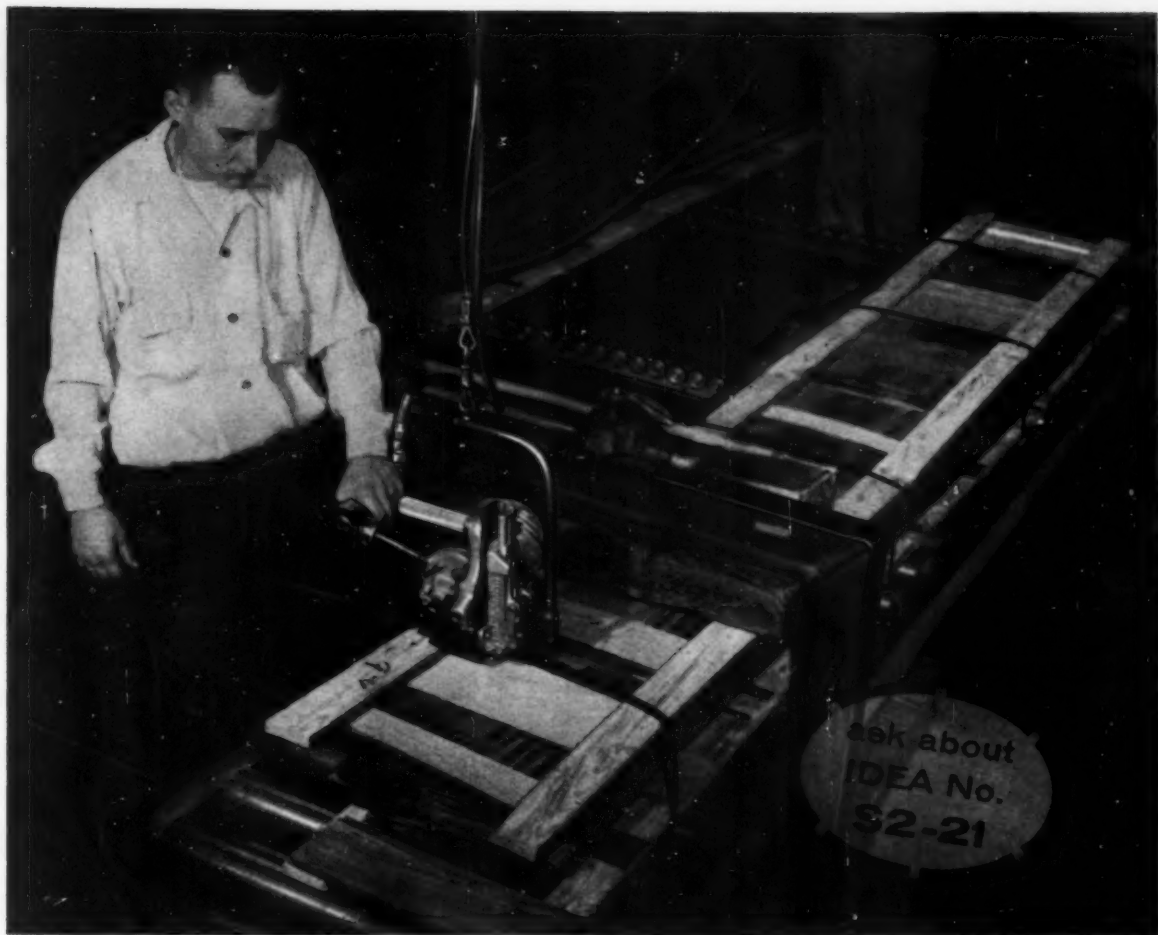


In a last-ditch move against rebel forces, Lebanon's harassed government is discussing military cooperation with the Arab Union (Iraq plus Jordan). The Chamoun government so far has failed to get direct support from the West or from the U.N. So, at the risk of undermining Lebanon's role as a "neutral" in the Middle East, it has turned to Iraq for help. A defense pact that puts Iraq behind Chamoun might solve Beirut's main problem—how to keep out of the clutches of Pres. Nasser's United Arab Republic.



The International Finance Corp., an affiliate of the World Bank, is hitting its stride after a two-year shakedown period. IFC has just made two new investments: \$630,000 in a steel finishing plant in Pakistan (its first investment in Asia); and about \$2.5-million in expansion of the Willys Jeep plant in Brazil.

IFC's investment in private firms abroad now adds up to \$10.7-million. With this relatively small amount, it has generated an estimated total investment of \$50-million.



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HARTZELL INDUSTRIES, PIQUA, OHIO, was interested when their Acme Idea Man showed them the new A4, the first fully-powered Steelstrapper. Especially when they saw how quickly and easily it tensioned, sealed and cut steel strapping—all with air power and fingertip controls. (Idea No. S2-21)

They installed the A4, and now two men handle the flitch drying, stacking and bundling operation more easily, with less fatigue. Packaging costs are reduced and flitch bundling now keeps pace with production.

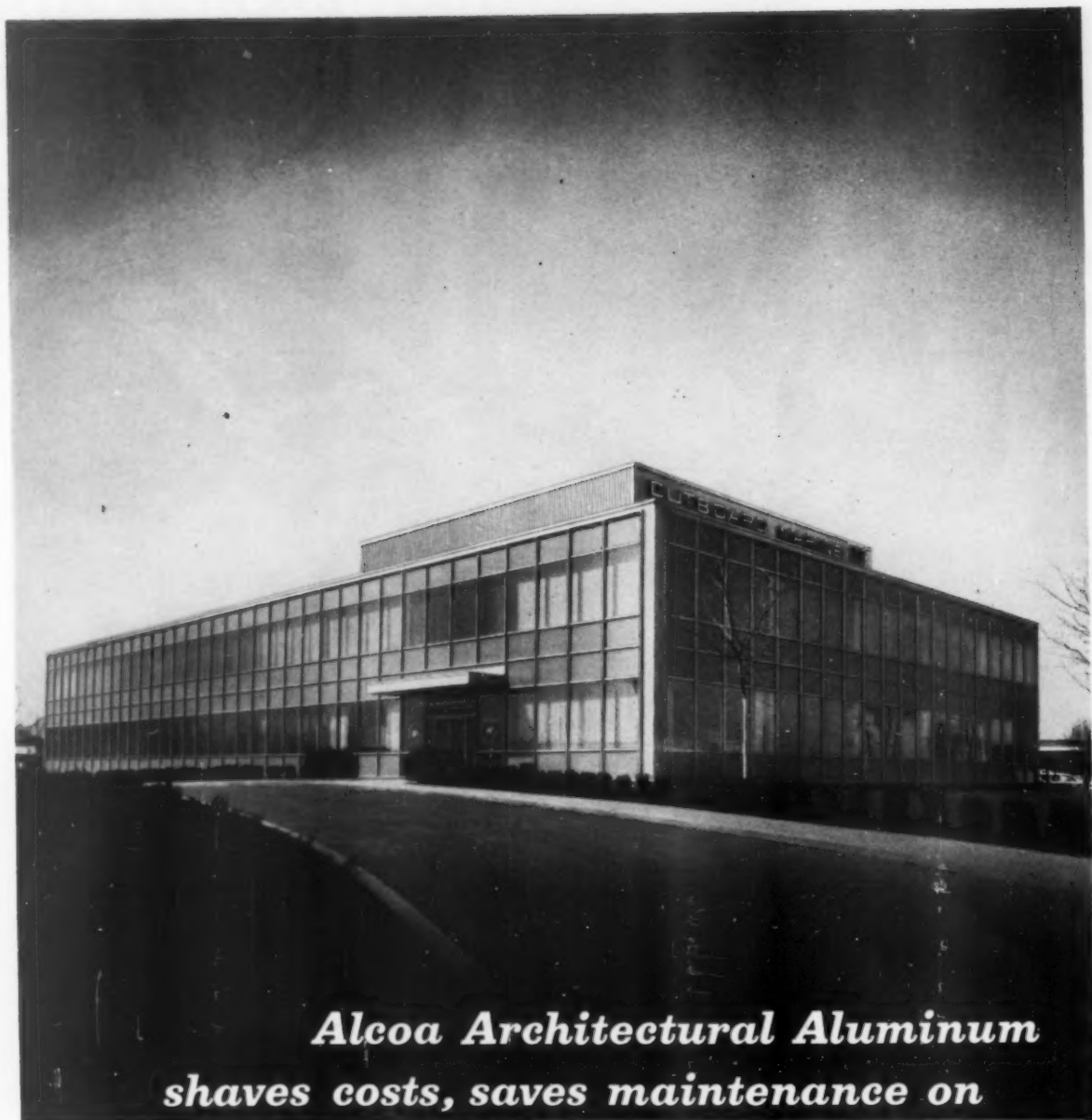
Since the A4 tightens each strap to the same pre-determined tension, flitches stay tight and secure, arriving at destination in excellent condition.

*Check your Acme Idea Man for the latest Idea methods and equipment. Write Dept. BGS-78, Acme Steel Products Division, Acme Steel Company, Chicago 27, Illinois. In Canada, Acme Steel Company of Canada, Ltd., 743 Warden Ave., Toronto 13, Ontario.

Acme Idea Man
T. E. Starr serves
many progressive
companies with fast,
economical
packaging ideas.



STEEL STRAPPING



Alcoa Architectural Aluminum shaves costs, saves maintenance on new Outboard Marine Building

Extrusions of Alcoa® Aluminum—a total of 50,000 lbs—frame the colorful curtain wall panels on the new Outboard Marine Corporation building in Waukegan, Illinois. Light weight yet rugged, these trim, clean-lined extrusions enabled Outboard Marine to cut framing costs and hasten erection through speed of handling.

This curtain wall system was engineered and erected by Moynahan Bronze Company, outstanding aluminum fabricator. The aluminum will stay clean and beautiful through years of weathering. Air-borne grit and industrial fumes can't harm it.

Costly maintenance and painting is eliminated. As a user of over 4 million pounds of aluminum per month, Outboard Marine recognized these values at the outset. Outboard Marine Corporation divisions and subsidiaries manufacture Johnson, Evinrude and Buccaneer outboard motors; Lawn-Boy power mowers; Cushman utility vehicles; and Pioneer chain saws.

Find out more about aluminum from the company who knows architectural uses best. Call your nearest Alcoa sales office, or write Aluminum Company of America, 1889-G Alcoa Building, Pittsburgh 19, Pa.

Building: Outboard Marine Corporation, Waukegan, Illinois
Architect: Shaw, Metz & Dolio, Chicago, Illinois
Contractor: Campbell, Lowrie and Loudervitch, Chicago, Illinois
Aluminum Curtain Wall: Moynahan, Series AW by Moynahan Bronze Co., Flat Rock, Michigan

Your Guide to the Best in Aluminum Value



"ALCOA THEATRE"
Exciting Adventure
Alternate Monday Evenings

In Washington

• • •

Bonded Whiskey Distillers Seek Temporary Tax Forgiveness

Bonded whiskey distillers will get a hearing before the Senate Finance Committee on their drive to win postponement of payment of some \$350-million in whiskey taxes scheduled for collection this fall.

The temporary forgiveness is tied up in an otherwise noncontroversial package bill of technical amendments to the excise tax laws. It would change the length of the so-called bonding period on whiskey bottled under government supervision from eight years to 20 years. The tax falls due at the end of the bonding period.

Schenley Industries, Inc., has the biggest stake in the postponement. The industry has some 33-million gal. that reach the eight-year age this year. Another 93-million gal. must be withdrawn from bond in 1959 under present law. About 80% of this whiskey is in the hands of the Big Four distilleries. Opposition to the postponement comes from Schenley competitors that did not produce the large quantities of bonded whiskey Schenley did seven and eight years ago.

• • •

Senate Puts Its Stamp of Approval On McCone for AEC, Flemming for HEW

Two White House nominees won Senate approval this week.

John A. McCone, Republican industrialist, succeeds Chmn. Lewis L. Strauss of the Atomic Energy Commission. He plunges immediately into the myriad problems facing this key agency.

Arthur S. Flemming, educator who has served almost continuously in various government positions since the beginning of World War II, will be sworn in around Aug. 1 as Secretary of Health, Education, and Welfare, succeeding Marion Folsom.

• • •

TWA's Seats Are Too Comfortable, Rival Domestic Airlines Complain

The Civil Aeronautics Board slammed the door on Trans World Airlines' foot this week. The foot was the 12 extra inches of seating space that TWA wants to give passengers in a bid for a bigger share of the transcontinental market.

Specifically, the board holds it is unfair competition for TWA to offer siesta sleeper seats at regular first-class fares on its domestic routes. TWA has been doing so since last Oct. 15 and has pronounced them as "quite successful" in attracting passengers. (The siesta seat requires more cabin space, reclines farther than regular airline

seats. Space between seat rows in regular first-class cabins is 40 to 42 in.; siesta seats have 52 in. between rows.)

American Airlines and United Air Lines, TWA's prime cross-country competitors, complained that they would be forced into matching first-class seating at an economic penalty if TWA were permitted to continue. TWA argued in vain that it needed the super seats to offset an advantage in speed enjoyed by competitors, who mainly use the DC-7 while TWA uses the Constellation.

So far, the board has issued only a memorandum noting it has arrived at a decision. A formal order is expected by the end of the month. One probability: CAB will permit TWA to continue the siesta seats on domestic runs, but only at premium rates. TWA offers siesta seats on transatlantic flights at \$50 extra.

• • •

Baseball Stars Go to Bat For Sports Antitrust Exemption

Senate hearings this week on proposed legislation to exempt professional sports from the antitrust laws gave a strong hint of the opposition the House-passed bill faces in the upper chamber before it can become law.

Senators on the Anti-Monopoly Subcommittee considering the exemption were dubious particularly about the control over radio-television broadcasting such a law would give team owners, as well as their powers over player talent and the support of minor league teams.

The spotlight at the opening round of hearings was on baseball, with star players from the major leagues giving their views. Baseball is now exempt from antitrust law under a Supreme Court decision, but is seeking inclusion in the bill that would grant exemption for professional football, basketball, and hockey.

Players asked that baseball be given the right to continue to operate as it has in the past. But their answers to repeated questions as to why the new law is needed in their case were summed up by the Yankees' double-talking manager, Casey Stengel, who protested, "I didn't ask for this."

• • •

Now That Alaska Is In, GOP Is Prodding Democrats on Hawaii

Republicans this week started putting pressure on the Democratic Congressional leadership for action on a bill to admit Hawaii to the Union as the 50th state.

Pres. Eisenhower called for equal treatment for Hawaii when he signed the Alaska statehood bill on Monday. Then Sen. Gordon Allott (R-Colo.) challenged Senate Democratic Leader Lyndon B. Johnson to call up for debate a Hawaiian bill that already has cleared the Senate Interior Committee.

Democrats have shown little enthusiasm for Hawaiian statehood, and Johnson—without explanation—has taken the stand that the House should act on the issue first, as it did with Alaska. But the House Interior Committee has not yet taken up the problem. So unless Republicans can budge Johnson, the chances for Hawaiian statehood this year are slim.

THE MARKETS

DEALING IN GOVERNMENTS:

\$5-Million a Phone Call



C. J. DEVINE, head of the firm that bears his name, is rated one of the shrewdest dealers in government securities. He admits to a penchant for speculation.

AUBREY G. LANSTON, latest comer to ranks of major dealers, heads the only firm with a staff of economists.

The men pictured on these pages are members of one of Wall Street's smallest and most select groups—the government dealers. A total of only 17, five of them banks, regularly “make markets”—buying and selling for their own positions—in U.S. Treasury securities.

Despite the limited number of dealers, trading volume is huge. One morning this week, for example, a trader in a government house sold in a single deal \$5-million of a short-term Treasury issue to an insurance company. There was nothing extraordinary about this transaction—executed in a matter of seconds over the telephone. It was one of hundreds of trades—many of them larger—that are made each day, via telephone, in government securities.

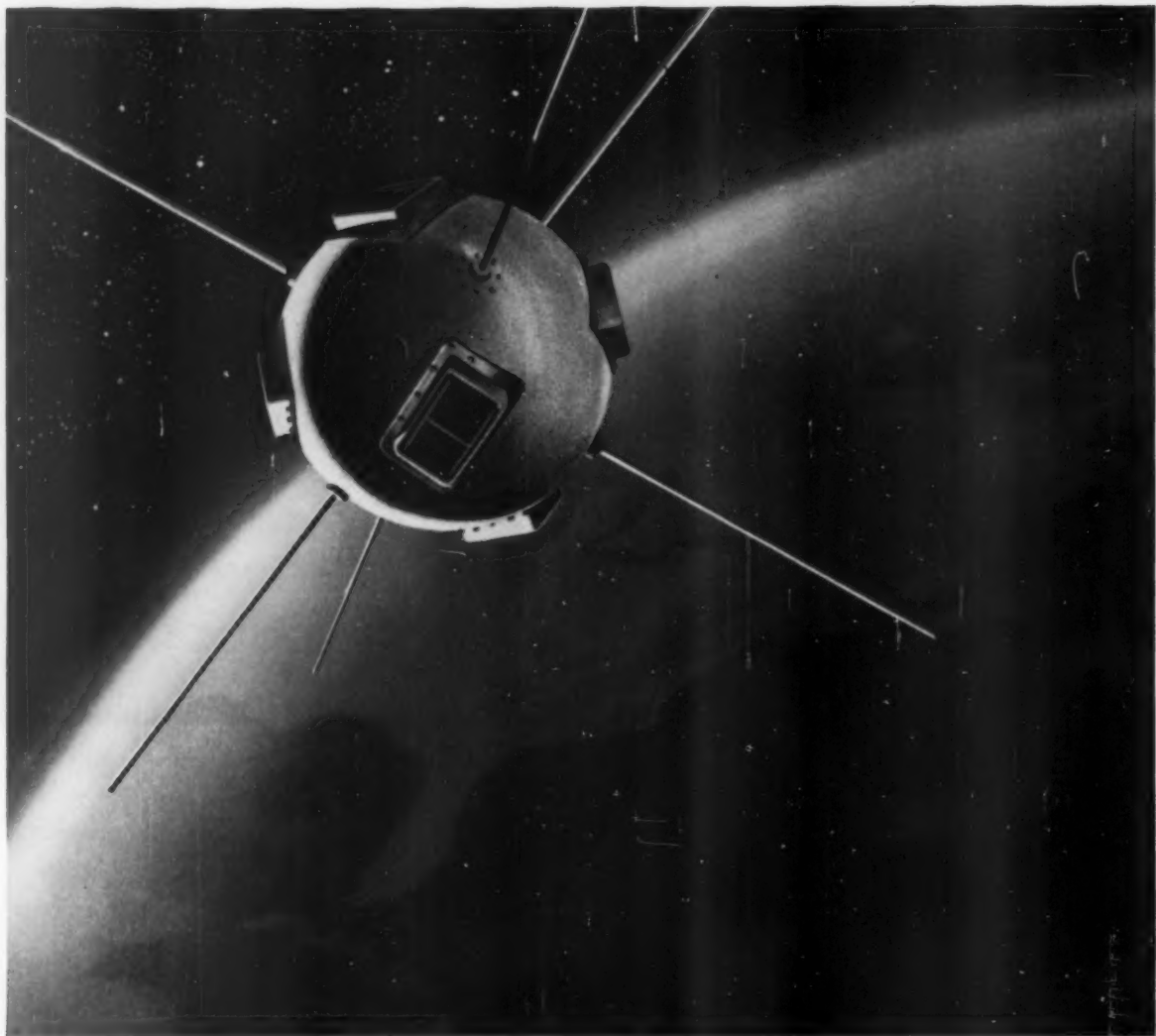
• **The Biggest**—In terms of size, the government market—with \$167-billion in outstanding securities—is in a class by itself. In contrast, U.S. Steel will sell \$300-million in debentures this month—a huge issue for the corporate





POLICY BOARD. Robert Van Cleave (left), Murray Brown (center), and Timothy Cantwell chart course for C. F. Childs & Co.





BETTER AIR helped put it there!

AAF air filters protect control room equipment at Cape Canaveral launching site

A few dust specks in the intricate electrical equipment of the Cape Canaveral control room could mean real trouble when the chips are down—at crucial rocket launching time. This possibility is guarded against by a battery of AAF air filters.

Launching is just one phase of the missile program where AAF is providing the finest in clean air. Dirt-free air is also vital in the research and development of missiles as well as actual produc-

tion of the many component parts. Here again, AAF's complete line is answering the call with exactly the right type of filter, based on the specific air filtration problem.

For more information on the application and operation of AAF air cleaning equipment, write for Bulletin 510-A. Address: Mr. Robert Moore, American Air Filter Company, Inc., 387 Central Avenue, Louisville, Kentucky. In Canada: American Air Filter of Canada, Ltd., 400 Stinson Boulevard, Montreal 9.



American Air Filter
COMPANY, INC., LOUISVILLE, KENTUCKY

market. But even in a run-of-the-mill cash financing, the Treasury rarely settles for less than \$1-billion.

Although it is the biggest of all financial markets, few individual investors do much in-and-out trading in marketable governments. When they do, they frequently get hurt.

The market has just been through a period that saw big profits—and big losses. Beginning last November when the Federal Reserve made a dramatic switch away from tight money, there was a spectacular rise in the prices of Treasury issues. Many stock exchange firms, worried about the outlook for equities, advised their customers to buy government bonds, which can be purchased on a 5% margin.

• **Bull Market**—This speculative demand, coupled with the change in the Fed's policy, created a bull market in governments. The 3½% bonds of 1974, issued just after the Fed shifted policy, jumped from 102 in mid-November to 106 in January. Speculators who bought on margin at 106 could have doubled their money if they had sold in April, when the bonds hit 111.

If they held on to qualify their profits as long-term gains under the tax laws, they were badly burned. Government dealers say that "unsophisticated" speculation had sent prices to lofty levels in the expectation that easy money would continue indefinitely. When bullish economic news became current, along with rumors that the Fed was tightening once again, investor demand faded away.

Unable to find buyers at the going prices, the speculators took fright and began dumping. The first impact was on a new issue of 2½% bonds originally offered late in May at 100½. After an initial jump to 101½ on speculative buying, they dropped to 99½. And other issues slumped—the 3½% bonds, for example, have dropped below 107.

This week, Rep. Wright Patman (D-Tex.), who is Congress' self-appointed watchdog over the Fed, called for a crackdown on "gamblers and speculators" in the market. He asked the Fed to step in to halt "jungle-like activities" in trading.

The violent see-sawing in governments affected the corporate market. A number of offerings were postponed and underwriters found no buyers for some newly issued bonds. Similarly, three municipal underwriting syndicates were broken up, with most of their bonds still unsold.

I. A Dual Role

The influence of the government market stems from the fact that it is used by (1) financial institutions to adjust their liquidity positions; and by (2) the nation's money man-



GIRARD L. SPENCER, of Salomon Bros. & Hutzler, says trading in government gives the firm a better feel for investment policy in other fields.

agers to implement their credit policy.

As government securities are riskless assets—holders are sure to get the face value in cash on maturity—they are regarded not only as investments but as a means of making adjustments in portfolios and in operating reserves. Banks and corporations buy governments when they have a surplus, sell when they need cash. Thus the market quickly reflects shifts or withdrawals of bank deposits, and changes in reserve positions.

This makes the market responsive to the open market operations of the Fed, which releases or absorbs reserves for the commercial banks when it buys or sells governments out of its \$25-billion portfolio. Under the law, bank reserves must be kept in the form of deposits with the Fed. Hence, the Fed creates new reserves when it buys securities and pays for them by issuing checks on itself; it contracts reserves when it sells securities and charges the accounts of the commercial banks with the cost of what they or their customers purchase. There's continual trading in marginal reserve balances—Federal Funds—which are used for clearing most of the short-term transactions in the market.

• **Meeting Ground**—According to Robert V. Roosa, vice-president of New York's Fed, the government market is a "natural meeting ground for the central bank to come into contact with the financial sectors of the economy."

As Roosa sees it, the Fed operates in the government market on a "defensive" scale, which is designed to keep the market functioning smoothly, and on a "dynamic" scale, which involves exert-

ing or relieving pressure on the market in accordance with the over-all objectives of credit policy.

For example, last week, the Fed bought \$502-million in Treasury bills in the open market, its largest weekly purchase in over three and a half years. But this was strictly a defensive move, aimed at expanding the reserves of the nation's banks so that they could provide the public with funds over the holiday weekend. If the Fed had not bought in volume, the money market would have been under severe pressure.

It's possible for a Fed move to have both defensive and dynamic aspects. For example, when the holiday demand for funds is past, if the Fed fails to sop up some of the funds it released in buying bills, it will be indicating greater ease in the market.

• **Top Dog**—The Fed is the dominant influence in the market, because, as Winfield W. Riefler, another top official points out, "it has far greater means at its disposal to accomplish its purposes" than any other operator in the market.

Whether it is pursuing a defensive or dynamic course, the trading desk of the New York Fed, which manages the Open Market Account, deals only with the limited group of dealers who regularly make markets. And the overwhelming majority of all other sales and purchases in governments is handled by these same dealers.

• **Buffer**—This means that the dealers are a crucial link in the transmission of credit policy. They are not the only link, because the Fed, as the "lender of last resort," will provide directly to the

Trends and outlook for **TAX-EXEMPT BONDS** *at mid-year 1958*

In their take-home income for the investor, tax-exempt bonds continue to present a very tangible advantage over taxable investments—and this desirable advantage will be little affected by any tax revisions.

This and other aspects of modern investing are discussed in our new 1958 Mid-Year Survey of the Tax-Exempt Bond Market. Available to you without cost or obligation, the Survey examines today's investment opportunities, developments affecting the market, supply and demand, prices, trends, outlook . . . and helps you appraise these factors in relation to your own investment requirements.

Send for this informative and up-to-date Survey, and receive with it our tax comparison chart showing the income required from taxable securities to equal the yield from tax-exempt bonds.

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folder BJ-7.



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AND OTHER PRINCIPAL CITIES

banking system. The role of the dealers is close to the London market's conception "of a buffer of last resort." The dealers serve to limit the need for banks to borrow at the Fed and act as a mechanism through which the pressures on the money market can be shifted and balanced.

The New York money market does not have the elegance associated with London's classic market, in which 12 discount houses making up the Discount Market Assn. constitute the direct medium for transmitting Bank of England credit policy. These discount houses, rather than the banks, borrow on their own initiative from the central bank. But though the connection is not so direct here, the dealers are playing much the same role.

The dealers "make" the market, but they must always take account of the Fed—the biggest single force in the market. In 1956, the one year for which figures are available, the New York trading desk bought and sold \$21.2-billion in governments, with the 10 biggest of the 17 dealers getting 88% of this total volume.

• **Official Accounts**—In addition to buying and selling for the Open Market Account, the Fed's trading desk also executes orders for other official accounts—foreign central banks and governments, the Treasury's trust funds, and even some member banks. These orders are also handled through the same group of dealers.

There's a shroud of secrecy over the Fed's operations. It never reveals the reasons for its operations, lest it tip off the dealers on its intentions. The dealers are free to interpret whether any sale or purchase is defensive or dynamic, but they do so on their own. Like a good poker player, the New York Fed—which dealers call "the big house"—always conceals its hand.

This discretion has sometimes been misinterpreted. Patman has pointed an accusing finger at what he calls "the under-the-counter kind of trading" conducted in the government market. Patman's main enemy is the Fed itself, but he has also attacked the dealers as accomplices. In his eyes, "the biggest money market in the world" is "the most closed market that was ever invented."

• **Versatility**—The dealers dispute the notion that there is anything secret or underhanded in their trading. They accept the Fed's close-mouthed attitude but they make clear that their own operations depend on their ability to do business with a great variety of accounts.

The dealers operate in a market so competitive that R. S. Sayers, the British monetary authority, describes it as "near perfect competition." Whenever a dealer's prices are out of line, he is sure to be "hit"—either by another

dealer or an acute customer. If his price is too high, everyone will sell to him; if it is too low, they will all buy from him.

II. Portrait of the Dealers

While they form a distinctive group and perform a definite function, there is a remarkable lack of homogeneity among the non-bank dealers. They are all specialists in governments, but there is no typical dealer firm.

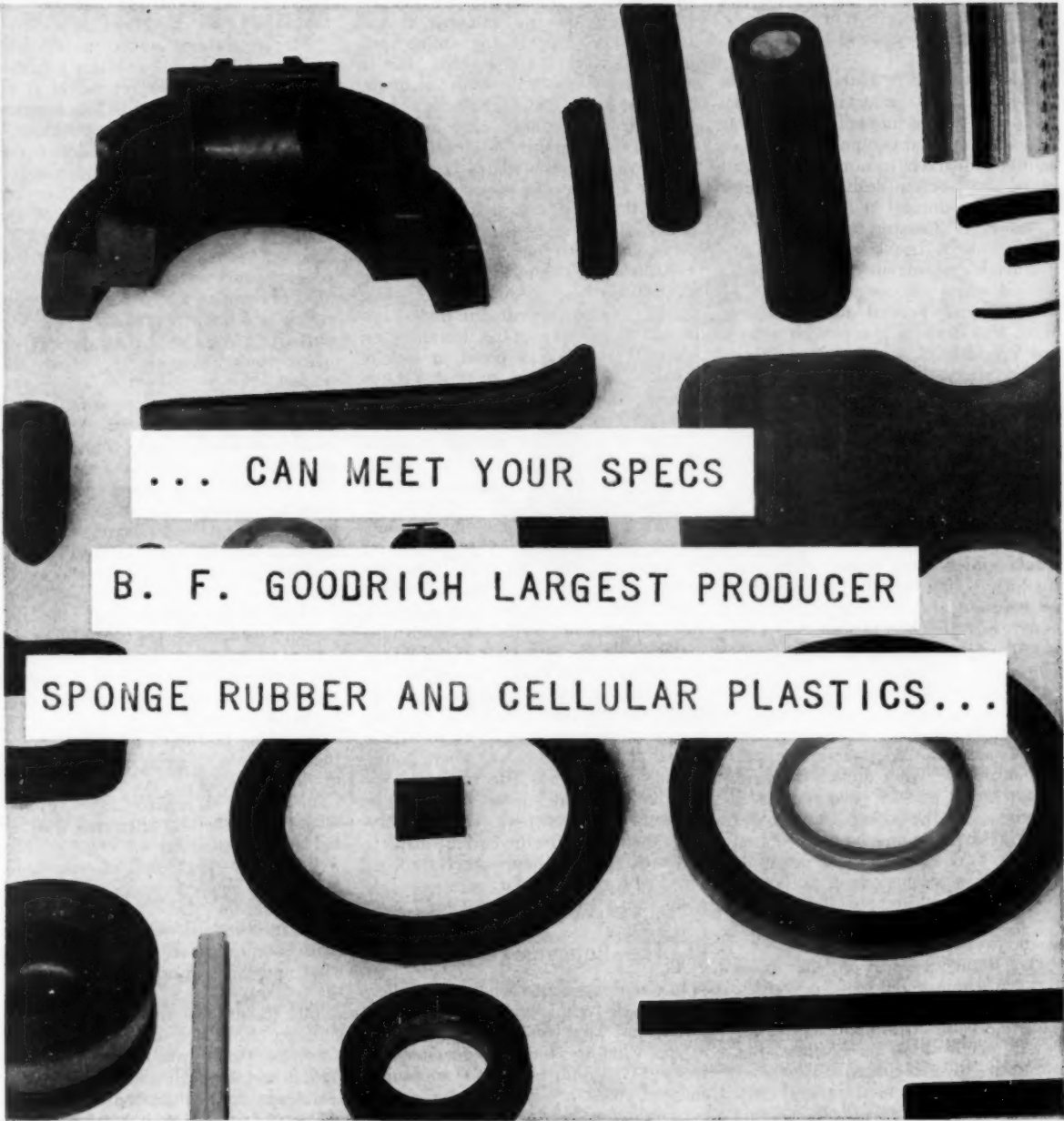
The five bank dealers—New York's Chemical Corn Exchange, Guaranty Trust, and Bankers Trust, Chicago's First National and Continental Illinois National—do not show the same diversity. For one thing, their government departments usually depend on their own banks for financing—although operating at arm's length from other banking activities. For another, they prefer to make markets in short-term (one year or less) and intermediate (one to seven years) maturities, the area normally covered in a bank's investment portfolio.

There is much more flexibility in the non-bank group. Few of them are "pure" government specialists—except for Dominic Rich & Co., which confines itself primarily to trading in 91-day Treasury bills. Taken together, the others run the entire gamut of the nation's financial markets. Here is a rundown on some of the biggest.

C. F. Childs & Co., which in 1911 became the first firm to specialize in governments, also deals in the securities of government agencies—FNMA, FHLB, etc.—and in tax-exempt municipals. Now headed by F. Newell Childs, son of the founder, it's the only family firm in the business and the only one with headquarters in Chicago—but, like all the others, it has its trading desk in the Wall Street district. C. F. Childs, who died in 1955, is called the "Brigham Young" of the government industry, because his firm sired so many dealers now operating in other firms.

The Discount Corp. of New York is owned by the big New York commercial banks, which established it to deal in bankers' acceptances—a market it still is in. Consciously patterned on the lines of a London house, the Discount Corp., under Dudley F. Mills and Herbert Repp, is deliberately unostentatious in public, and consistently successful as a dealer. Last week for instance, it declared an extra dividend of \$4 in addition to a regular \$2 quarterly payment.

C. J. Devine & Co. is also active in municipals and government agency securities. Devine, a Childs alumnus, is regarded as one of the shrewdest dealers. He freely acknowledges a penchant for speculation, was one of the major backers of the syndicate that purchased the race horse Nashua, for a record \$1.25-



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million from the Woodward estate (BW—Dec. 24 '55, p. 27).

The First Boston Corp., a "department store" investment banking firm, ranks as one of the leading underwriters of corporate issues—both bonds and equities. It is also active in municipals, bankers' acceptances, and bank and insurance stocks.

Salomon Bros. & Hutzler, like First Boston, is a big underwriter of corporate, utility, and municipal issues, as well as in railroad equipment trusts. It maintains markets in outstanding bond issues, first began dealing in government securities as a principal in 1917.

Aubrey G. Lanston & Co., founded in 1949, is the newest firm to qualify as a major government dealer. Lanston, who is often an outspoken critic of Treasury and Federal Reserve operations, also deals in government agency and World Bank securities.

The variety of markets in which these and other dealers operate means that there are direct and personal lines between the government market and other markets. Girard L. Spencer, who is in charge of Salomon's government department, says that trading governments "is extremely useful in determining our over-all investment policy."

- **Intangibles**—Most dealers agree with this view. They admit that they deal in governments primarily to make money, but they also explain that their trading of Treasury issues is of real—if intangible—value in other activities.

Dealing in governments isn't just a matter of opening up your door for business. It requires a sizable organization of salesmen and traders, and substantial capital. There are a good many banks that buy and sell governments for customers, but they don't have the special skills required and have to rely on the New York dealers to take or supply the securities. A number of borderline firms are in and out of the market, lacking the organization or the capital for full-fledged operations.

- **The Branches**—Most of the major firms have branch offices in key cities, and their salesmen are continually out to maintain and expand contacts. They do not merely drum up business, but also advise their clients on investment developments and opportunities. They act as intelligence agents for their firms, sending back information on business conditions and customer attitudes.

- **The Traders**—The actual buying and selling is handled by highly trained specialists who are called traders. Most of them specialize in either short-term or long-term issues, and are in contact with other traders, reviewing their quotations and checking the market.

Dealers insist that "traders are born, not made," but they point out that it frequently takes a long time—and considerable expense—to discover if a man

is a born trader. "There's only one way to find out if someone is born to the desk," says one dealer, "and that's to let him try his hand."

Firms vary in the leeway they give their traders. Some will set definite limits daily on the amounts that a trader can go long or short—others prefer to allow more elbow room. But in almost every house, the trader alone decides the price at which he buys or sells. "A trader has to have some independence," says Timothy Cantwell, short-term specialist for Childs. "He is dealing on a minute to minute basis, and can't think in terms of long-range policy. His aim is to try to make a profit on every transaction."

- **Risks and Perils**—This aim is not always realized—and sometimes, when pressures suddenly shift, the traders can be hit by fairly sizable losses. Even when they sell at a profit, it usually takes a big turnover to make much money.

This is evident from the narrow spreads—the result of intense competition—that usually prevail in the market. The spread is the difference between the price at which a trader offers to sell and the price at which he offers to buy. It can be as little as \$25 on \$1-million in Treasury bills, only \$156.25 on \$1-million of bonds. Normally, the spread runs higher, particularly in bond trading, but as some losses are almost inevitable, there's little chance to make a big killing in day-to-day transactions.

The big profits come not in the day-to-day trading but from taking speculative positions and holding them over a period of time—and this is where policy making is essential. The traders, however independent, never commit the house to such positions. This calls for more than a feel for the current market, and more than a mere appreciation of the Fed's moves. To be successful, policy must anticipate the Fed.

III. The Policymakers

In a sense, the men who make policy for the long-term speculations—who decide on just what issues to take positions in and what to eliminate—are an elite group. They must have a thorough grasp of credit policy, and a broad understanding of the elements that go into making policy—the outlook for business activity and the potential supply and demand for credit. In fact, the successful dealer has all the qualities required of a central banker. In addition, as Lanston puts it, "You've got to be prepared to take risks."

The dealers operate on an extremely low margin of invested capital. This means that they can take big positions, but, when they do so, their margin for error is also small.

- **Factor of Size**—Moreover, the ability

to make markets implies holding positions in a large number of obligations. The size of a dealer's inventory will vary, depending on his estimate of trading and monetary conditions. But the bigger dealers point out that competition is based on size as well as price.

"If an account wants to sell \$20-million of an issue," explains a trader, "he doesn't want to get rid of it all over the lot. You stand to lose business if you can't handle a big transaction."

There is no "complete" dealer—one who is both a trader and policymaker. The only ones who come close are Lanston and Devine, and one of the legends about Devine is that the only time he lost money was when he had an economist on his payroll. Actually, most of the men who make policy deliberately refrain from trading. As one puts it, "You lose your perspective when you're slugging it out in the market."

- **Consultation**—In some firms, policy-making is a one-man affair. In others, small committees make most of the major decisions. Childs, for instance, has a three man group—Murray F. Brown, manager of its New York branch, Robert Van Cleave, the firm's research chief, and Cantwell—which operates in New York but checks its decisions with Childs in Chicago.

Most dealers acknowledge the importance of making policy decisions on a basis of economic analysis, but Lanston is the only one boasting a staff of trained economists. It is probable that he has set a trend.

In taking positions, most dealers say that they don't "go against the policy of the big house." As one explained, "You're just asking for losses if you load up on bonds when the Fed is tightening credit."

- **Fed Talks**—The heads of most firms meet with senior Fed officials, usually weekly. From the Fed's viewpoint, these meetings, which last no longer than 15 minutes, are a way to find out what dealers are thinking and to check the market.

The dealers feel that they get some guidance from the discussion. "They never tell you if you are on the right track," says a weekly visitor, "but they sometimes drop a hint that you're way off target."

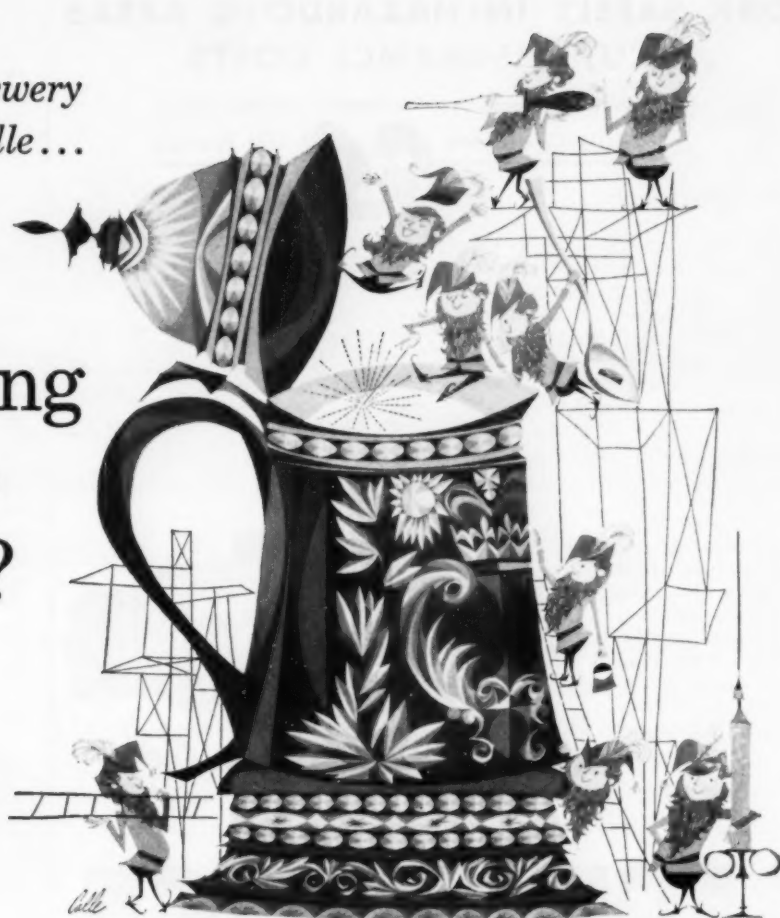
The Fed's own traders follow a "non-fraternization" policy. Recently, a Fed trader was given a retirement party attended by outside traders who had been in almost daily telephone contact with him for over 20 years but were meeting him face-to-face for the first time.

Some dealers feel that the Fed occasionally makes mistakes. In those situations, if a dealer is willing to take a risk and buck the Fed, he stands a chance of coming out way ahead.

- **Anticipation**—In today's market, says

*When the Brewery
moved to Brookville...*

What went wrong with the beer?



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Except that the beer they brewed in Brookville was *not* the same beer as before...and neither were the sales.

The ingredients; the processing; the aging were all the same. But something had been lost in moving.

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Modern technology has become so precise that it's easy to forget that products—in the final analysis—are created by *people*. When the brewery moved to Brookville, the brewmaster himself, and two assistants, preferred to stay home and find other jobs. Their successors had the formula, but they didn't have the "touch".

Every company has its "key people" but often doesn't know who they are till it loses them.

Today, with so many industries expanding, decentralizing and relocating, the transfer of key personnel has become an increasingly important problem to business.

The Human Side of Moving

To help business conserve its most valuable asset—trained, experienced and loyal personnel, Greyvan—one of the leaders in long-distance moving—has undertaken a continuing study in "The Human Side of Moving".

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Henry P. Bruner, President, Greyvan Lines, Inc., 57 West Grand Ave., Chicago 10, Ill.



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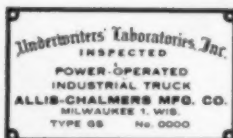
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Spencer, "You've got to look wrong to be right." In his view, no dealer can afford to wait until he is sure of a shift to build or unload a position. If he did, the opportunity might be gone. Spencer favors cutting down on a position while the market is still rising, so that when a turn comes there's no danger of having to suffer big losses.

Most dealers admit to raking in handsome profits since last November. The majority took some losses when the market turned last month, but it was largely a case of paring down some of their gains. "We knew we would get caught when the turn came," said one dealer, "that's inevitable in our market."

IV. The Background

Today's market in governments took a long time to develop. Some authorities consider that its real emergence dates back only to World War II, which brought a huge rise in government debt, particularly in short-term obligations. The availability of this big volume of "near-money," sought by financial institutions, was the prerequisite for a continuously active market.

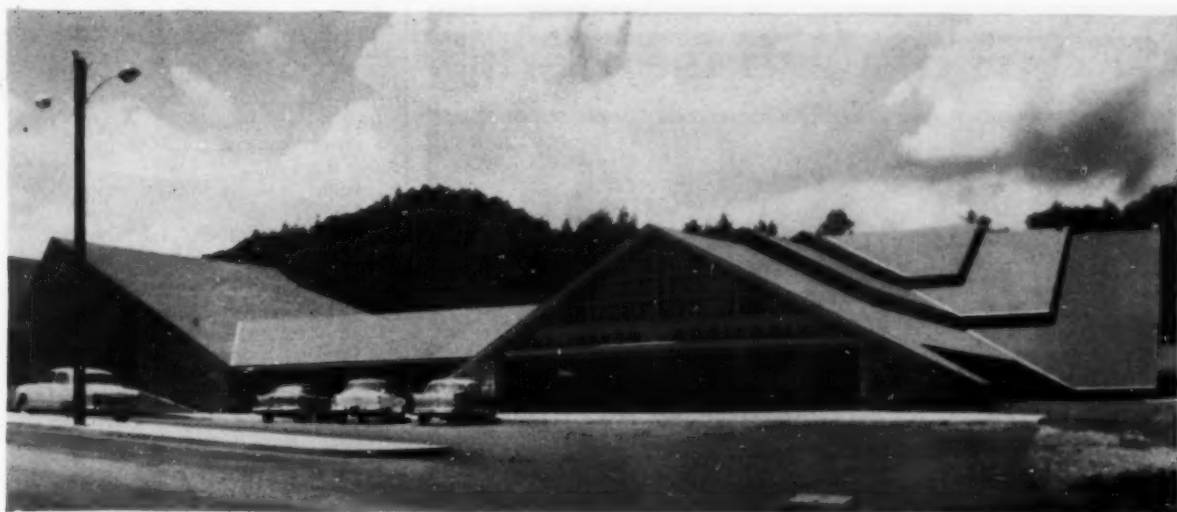
The Fed-Treasury accord of 1951 accentuated the importance of the government market. For in bringing an end to the pegging of prices of Treasury securities by the Fed, the money managers reaffirmed their responsibility for exercising a flexible and independent credit policy.

• **Committee Study**—In 1952, a special ad hoc subcommittee of the Fed's Open Market Committee made a study of the government securities market for the purpose of appraising its operations. That study, which was not made public until late in 1954, made a number of technical recommendations on the Fed's relations with dealers, most of which have since been adopted.

What was even more important, it pointed up some of the problems that have frequently upset the market, and made tentative efforts to deal with them.

It called, for instance, for a market possessing "depth, breadth, and resiliency." As it defined these terms, a market has depth when dealers have orders—actual or readily uncoverable—both above and below current prices, breadth when such orders are in volume from many sources, and resiliency when new orders pour in, prompted by any sharp and unexpected fluctuation in price.

While activity has increased, few dealers think that "DBR" now measures up to the Fed's standards. The reason, they say, is that the market displays these characteristics only when prices are going up. Then, orders pour in, and spreads narrow to a minimum. In a falling market, orders dwindle and



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New meeting place in the Smokies



Gatlinburg, high in the Appalachians, is the gateway to Great Smoky Mountains National Park.

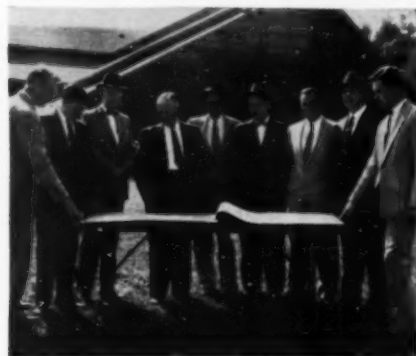
Less than 200 years ago, Cherokee Indians camped here. Today, Gatlinburg, Tennessee, is a lively Mecca for conventions — with a modern Civic Center that boasts comfort-conditioning by American Blower!

This new building that blends so perfectly with the Great Smoky Mountains' breath-taking beauty was designed to serve two separate needs. Its *convention area* has a spacious auditorium with seating capacity for 2000; adjoining Exhibit and Banquet Hall can accommodate 1000 at dinner. New *town government offices* are equipped with the most modern comfort-conveniences for office personnel.

The building team's decision to install American Blower air-handling and -conditioning equipment throughout the Civic Center has proved a sound one. Gatlinburg City Manager W. W. Mynatt cites a case in point: "During a recent winter meeting, our American Blower system compensated so smoothly for a sudden outside temperature drop from the high 50's to the low 30's that a crowd of a thousand people inside the auditorium was completely unaware of the change."

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Skilled sales engineers in our 73 branches work with your building team to give you the most modern, efficient air-conditioning money can buy. American-Standard,* American Blower Division, Detroit 32, Michigan. In Canada: Canadian Sirocco products, Windsor, Ontario.



Building team† for new Gatlinburg Civic Center holds an outdoor conference on indoor comfort.

†From left: Designer Hubert Bebb, Gatlinburg; Architects Samuel D. Cooper and C. Reginald Perry of Cooper & Perry, Knoxville; Gatlinburg City Manager W. W. Mynatt; Heating and Air-Conditioning Contractor H. E. Orr of Leopold & Orr, Knoxville; Mechanical Design Engineers A. F. G. Bedinger and John McAmis, Knoxville; American Blower representatives Robert M. Mingea and David E. Beeson, Knoxville.

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in 3 hours less time..."

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This Model 12 "PAYLOADER" is the first unit-built tractor-shovel specifically designed for shovel work, not a tractor attachment. It's a driver's dream in operating ease, riding comfort, visibility and safety and outproduces conventional tractor attachment units of much larger capacity.

BALANCE — Rear engine mounting on the Model 12 is the big difference. It counterbalances the bucket load and distributes machine weight over the entire track length . . . gives more traction and stability for digging, carrying and dumping.

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VISIBILITY — Operator is comfortably seated ahead of the engine where he can see what his bucket is doing and where he's going, at all times.

THE COMPLETE STORY — of the Model 12's remarkable "built-in" traction, stability and balance is fully explained in an attractive 8-page bulletin. Write for your copy today. The Frank G. Hough Co., 700 Sunnyside Ave., Libertyville, Ill.

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SUBSIDIARY—INTERNATIONAL HARVESTER COMPANY



prices are vulnerable to sharp drops. And that is what was happening last week.

• **Financing**—One other problem mentioned in the ad hoc report was the issue of dealer financing. This remains a major problem, for both the dealers and the Fed.

Right now, with easy money the order of the day, the financing problem is not serious. On the contrary, a dealer can make money on his "carry"—the difference between the interest rate received on his position and the cost of borrowing from the banks. But when money is tight, as it was during the 1955-1957 period of credit restraint, dealers are often faced with a "negative" carry. "Our biggest burden is our interest cost," says Murray Brown of C. F. Childs.

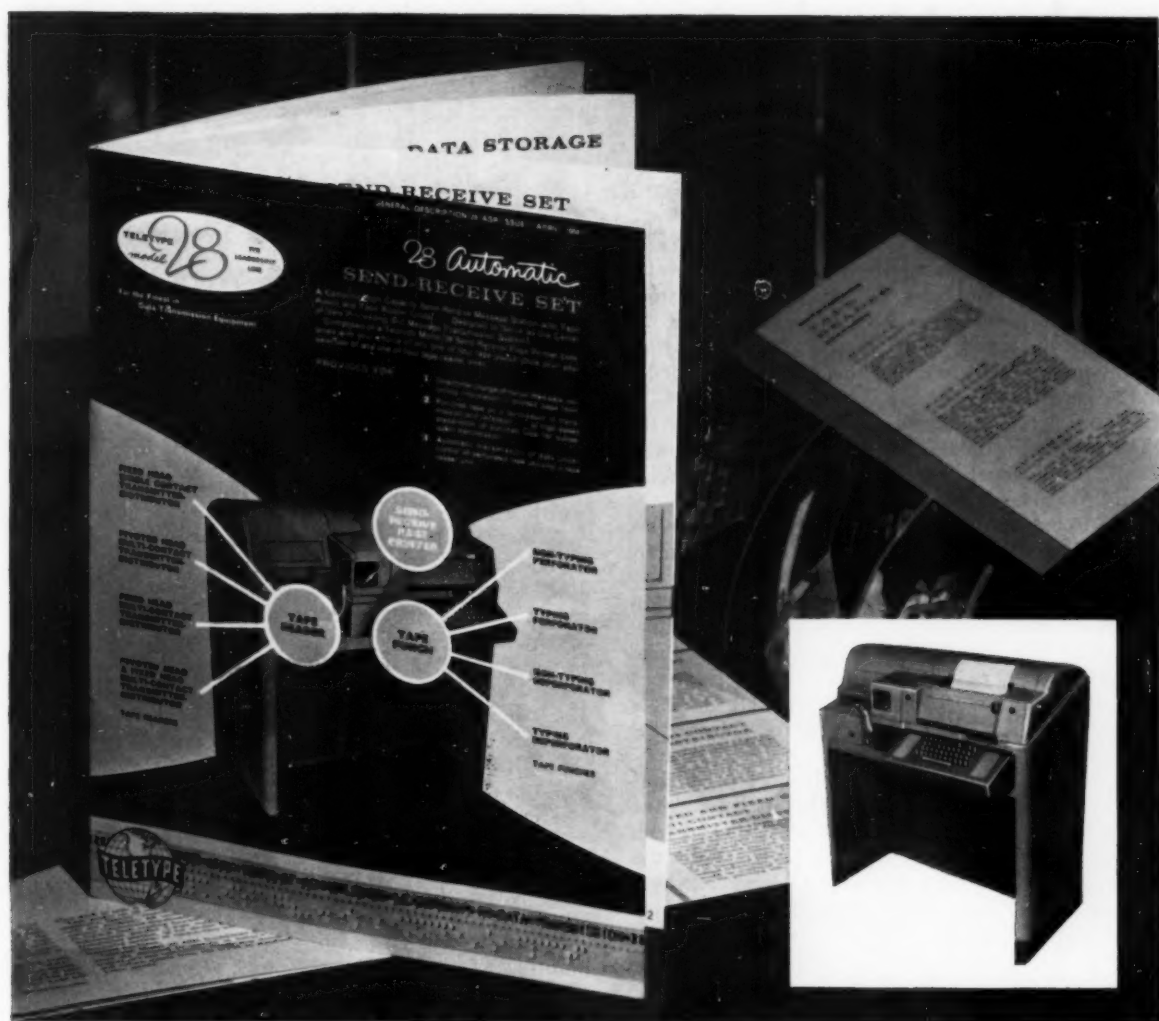
This, of course, is a response to the Fed's pressure on the market. When the dealers found it difficult—or expensive—to borrow from the New York money market banks, they beat the bushes for other sources. They succeeded in tapping corporations—and other out-of-town investors—who were willing to lend at a lower rate than the banks.

• **Repurchase Deals**—Many of these deals with non-financial corporations are not outright sales but repurchase agreements, in which the dealer sells a portion of his inventory with the provision that he will buy it back at a later date by paying an agreed rate of interest. The dealer is able to carry his position at cheaper rates than he could get through a bank, while a lender, who cannot get interest for short-term funds at a bank, is guaranteed a yield on a temporary surplus.

Roosa, for one, questions whether this type of financing will assure the "kind of shock-resistant financial arrangements that are needed in periods of crisis." Most dealers, while pointing out that they have had to develop new sources of financing and have developed a national money market in the process, would prefer to have more permanent arrangements. Some dealers think that the banking system should show more willingness to advance funds. Others would like to have a line of credit at the Fed itself.

The Fed does extend repurchase agreements, on its initiative, to dealers. But those dealers calling for lines of credit would like to have the initiative.

• **Limitation**—The problem of financing limits the number of dealers who can make markets, and also tends to slow the depth, breadth, and resiliency of the market. As one dealer puts it, "I recognize that I should be buying and selling in volume at all times, but I'm not going to be a hero. When I'm faced with almost certain losses, I naturally try to cut them." **END**



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In the Markets

. . .

Cut in Ford's Quarterly Dividend Takes Starch Out of Stock Averages

Ford Motor Co. cut its quarterly dividend this week—from 60¢ to 40¢—and cast a shadow over the stock market. The stock averages had hit a new high for the year before Ford acted. Then they dropped back, leading many professionals to doubt that investor confidence would be maintained.

The Ford action is viewed as significant because the stock is so heavily traded and so widely held by institutions and individual investors, including many foreign accounts. While it was general knowledge that the volatile auto industry would have a poor year, the market was generally surprised by the cut—Ford stock lost more than two points after the announcement.

If other companies whose stock is widely held follow Ford with dividend reductions, the cloud over the market may burst. According to Nicholas Molodovsky of White, Weld & Co., the market is probably around the year's high—and the next move may be down. He does not expect last year's low to be broken, but he thinks there is a possibility of a substantial "correction."

A similar view is taken by James Hughes of Auchincloss, Parker & Redpath. He thinks the market is "overdue for a technical correction of 6% to 8%" and feels the Ford action will definitely have a bearish influence. As he sees it, the market's rise since October has been one of the longest on record without a correction, and it is poised for a drop.

Thurston P. Blodgett of Tri-Continental Corp. points out that the market's strong showing in the midst of a business downturn is not altogether novel. In 1938, he says, the market had a strong recovery despite the fact that earnings were poor. But the market failed to advance much further when earnings improved.

. . .

Bond Prices, Especially Governments, Sink Under Pressure by Speculators

Selling pressure forced bond prices down again this week. In particular, the government market (page 100) was put through the wringer.

The Federal Reserve tried to cushion the drop with big purchases for Treasury trust fund accounts. But this "strong arm" technique failed to work effectively. For not even the Fed can hold a price line when the market as a whole is bent on liquidation.

Speculators, who forced bond prices up, are the main factor in sending them down. More than individual speculation is involved—many corporations and banks used what were essentially short-term funds to invest in bonds with long maturities. They expected quick profits but have taken a beating.

There's no doubt that the drop in bond prices has

forced yields up to a point where they bear little relation to the demand and supply for capital. The supply of funds is growing while the demand is slackening, but until the market gets over its psychological and speculative turmoil, bond prices won't reflect actual conditions.

. . .

Alaskan Securities Interest Investors, But Brokerage Firms Are Wary

Spurred by the fanfare accompanying Alaska's admission to the union, investors are showing marked interest in Alaskan securities. Alaska Juneau Gold Mining Co., for example, a company that hasn't actively mined gold since before the war, promptly jumped on the most active list and shot up to its highest price since 1955. One observer commented: "The name alone should be worth 5 points."

Only a handful of Alaskan issues, traded on the New York and American Stock Exchanges, and a few over-the-counter, are available to investors wishing to capitalize on Alaska's growth. Most of them are highly speculative issues, and some analysts feel that the best opportunities are not in the glamorous oil and gold stocks, but in the more stable retail and service operations—especially transportation.

Because of the speculative nature of many of the Alaskan stocks on the market, most of the big brokerage houses are adopting a hands-off attitude.

. . .

The Markets Briefs

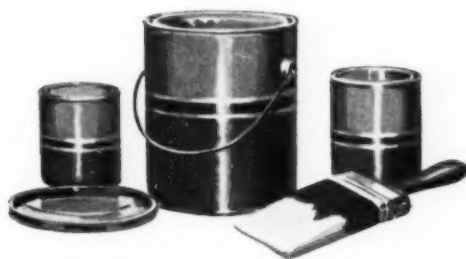
The corner in E. L. Bruce stock (BW—Jul. 5 '58, p. 22) was shakier this week. The stock soared to \$140 per share—it was only \$17 in February—at the beginning of the week, as short sellers scrambled to cover. But at midweek, the price tumbled to \$85—on rumors hotly denied, that a settlement was in the wind between the Bruce interests and E. M. Gilbert.

Borrowing for the purchase of securities is mounting. Brokers' loans rose \$564-million during June—to \$3-billion, which is some \$600-million more than a year ago. Most of the rise came from a \$415-million increase in borrowing against U.S. governments. This boosted total borrowing against government securities to \$957-million.

Interest in Canadian securities is soaring again. U.S. investors have boosted their holdings of such investments to more than \$5.3-billion—a new high—according to William F. Shelley, co-chairman of the Committee of Canadian Investment Companies.

Chrysler Corp., which is operating at a deficit, announced it has arranged for a revolving credit of \$150-million with 115 banks throughout the country. No borrowings are contemplated this year, but the arrangements run until Jan., 1961, and loans will be made as 90-day notes at the prime rate that is in effect at the time of borrowing.

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PERSONAL BUSINESS

BUSINESS WEEK

JULY 12, 1958

A BUSINESS WEEK

SERVICE

The new social security bill now before the House is focusing new interest on this broad government program. As for the bill itself, it boosts monthly payments by 10% (or \$5 for payments under \$50) but does not alter the basic philosophy of the law. Chances of its passage: up in the air, according to latest reports.

However, even if the present law stands, this might be a good time to look over some of the benefits—often overlooked or minimized. The fact is that the current social security benefits on the books today provide wider advantages than first meet the eye.

The amount of money involved is the big factor. To match the \$162.80 per month that you and your wife may get from social security, you would have to earn an additional \$98,000 over the years, and invest it at 4%—assuming you're in the 50% tax bracket (\$36,000 for a married man).

But this is only part of the picture.

Many people ignore recent amendments that sharpen social security values. At least two of these are wide in scope and worth knowing about:

(1) The five-year "drop-out" rule; and (2) the age-50 disability benefit rule. Retirement at 60. Under the drop-out rule, you may be able to stop work at age 60 (57 for women) and still receive the full retirement benefit starting at age 65.

The rule permits you to discard any five calendar years of low or no earnings when you calculate your average monthly wage to figure your benefit. Thus, if you stop work at age 60—and don't use the drop-out rule to eliminate previous low years—you can drop the intervening years up to age 65, when your payments begin.

A related advantage is that your wife's benefits, if she chooses, can now begin three years earlier.

She can start to collect \$40.80 per month (maximum) on the basis of your earnings when she reaches age 62—assuming that you are 65 or over and receiving benefits. True, if she starts at 62, she gets only 75% of the \$54.30 she would receive beginning at 65. Even so, it's to her advantage to elect the earlier date.

You can figure it this way: If she waits until she's 65, it will take her 10 years from that date to match the total benefits she would have received had she accepted payments starting at 62.

Protection at 50. Another amendment gives you social security benefits starting at age 50 if you become "totally disabled." You can receive \$108.50 a month (maximum).

If you're in the 50% tax bracket, you would have to earn \$65,000 more during your working years, and have invested it at 4%, to get this added income.

To qualify for these disability benefits, you must be (1) between 50 and 65 years; (2) unable to work, due to a long-term or indefinite disability; (3) currently and fully insured under social security; and (4) covered for at least five full years of the 10 years preceding disability.

What about the man who is disabled before he reaches age 50? Under the old law, he received no disability payments before normal retirement age, and suffered a reduction in benefits for every year he was out

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JULY 12, 1958

of work. In other words, his average monthly wage—to determine regular benefits—was reduced by his total no-earning months.

Now, the younger disabled man can "freeze" his status as of the time he is disabled. His future benefits—which he now starts to collect at 50—are not lowered by the idle years following disability.

For a detailed look at social security—and one that doesn't get too technical—see **How to Get the Most Out of Your Social Security** (1958) by Harvey Gardner (Frederick Fell, Inc., 386 Fourth Ave., New York, N. Y.; \$1.95).

—•—

Buying a room air conditioner? Ask your salesman about Btu's (British thermal units), the real measure of an air conditioner's cooling capacity. A rating of air conditioners by Btu's describes the amount of heat the unit removes from the room. For example, one unit may deliver 6,000 Btu's of cooling power, and another, with the same nominal-size compressor motor, as much as 14,000.

Some dealers may relate price to horsepower—but what you want is performance in terms of Btu's. Reliable dealers will advise you about the cooling capacity needed for a room, but if you would rather do your own calculating, ask for a cooling load estimate form prepared by the **Air Conditioning & Refrigeration Institute**. Sizes of walls and windows and direction of outside exposure help determine the Btu requirement.

The trend today is toward units producing 8,000 to 10,000 Btu's, or more, to take care of bigger rooms or more than one room.

The new portable air conditioners ($\frac{1}{2}$ -hp. motor, 60 to 78 lb.) should provide about 4,100 Btu's. They do a real cooling job—but don't expect one to lower the temperature much in a very large room on a sizzling day.

—•—

Rose gardeners should start making room for some new varieties.

Available for planting this fall will be the 1958 winners of the All-American Rose Selections. New title holders are **Ivory Fashion**, a white floribunda, and **Starfire**, a cherry red grandiflora. Each was graded according to actual performance—hardiness, disease resistance, fragrance, flower form, and color. These varieties do well in any section of the country.

If you're new to the hobby, you'll find the **American Rose Annual 1958** (American Rose Society: Doubleday, \$4.50) a helpful guide.

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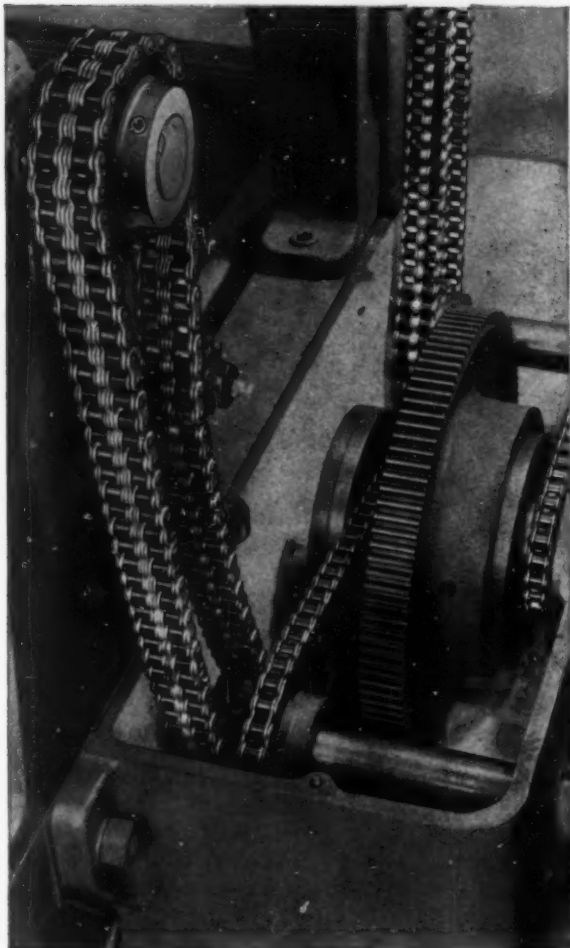
Wallpapers with centuries-old designs: Quality papers developed from original examples found in historic houses administered by the National Trust for Historic Preservation will be available soon through decorators. (Sales income will benefit the trust's educational program.)

Four designs are hand-screened reproductions of wallpaper fragments associated with the Wayside Inn, South Sudbury, Mass. (the hostelry immortalized by Longfellow). The fifth is from a design in the 17th Century Bush-Holley House, Cos Cob, Conn. (one of the most important historic buildings in America). The wallpapers will cost from \$8.40 to \$10.50 a roll, and matching unglazed chintz fabrics, 50 in. wide, from \$8 to \$9 a yd.

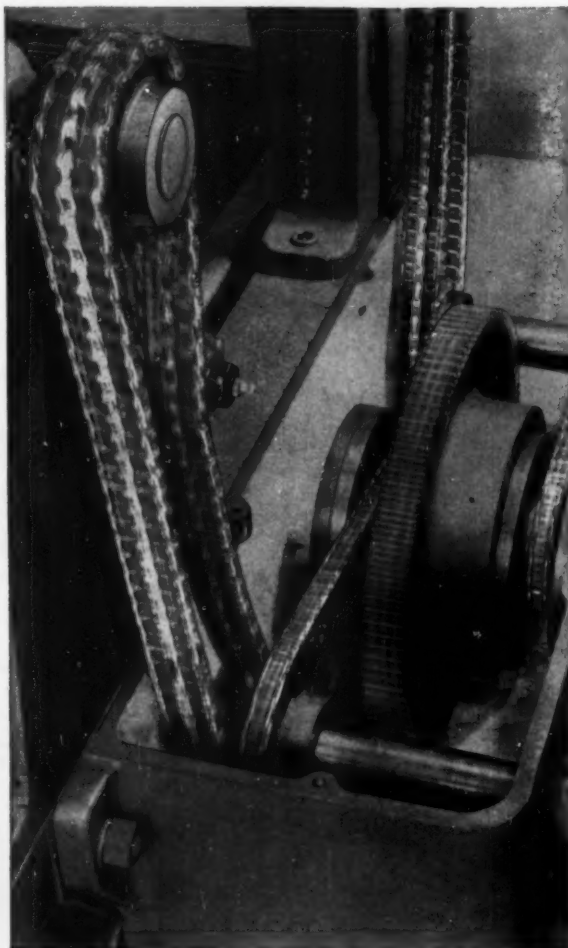
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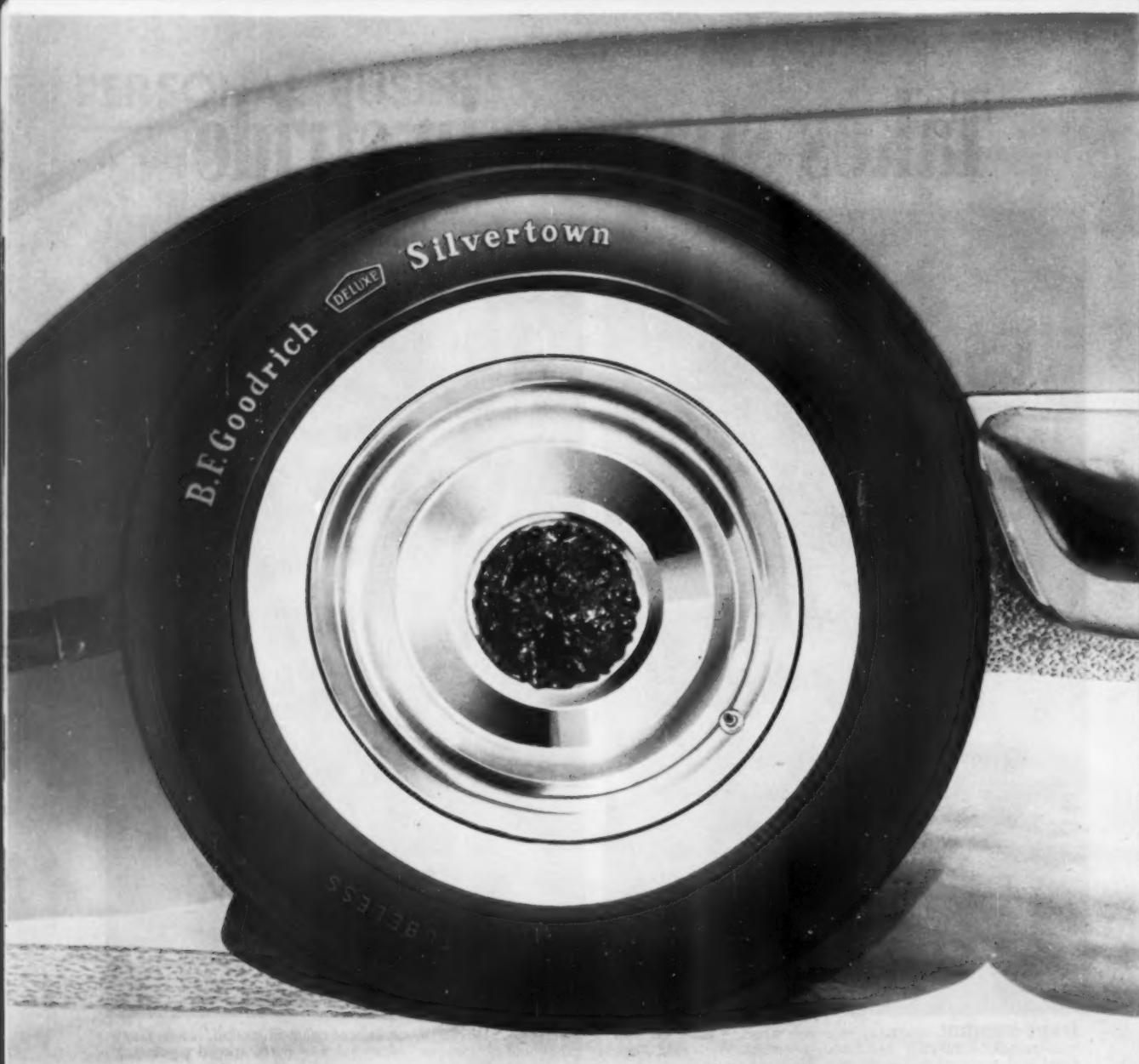
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FINANCE

Making Cash Work Overtime

- Company treasurers are devising elaborate ways to do it, as profit margins shrink and pressure for cash grows.
- It's largely a balancing act—chopping idle cash but keeping banks happy, matching inflow against outgo.
- Reducing "float," or transit time of checks, is main aim, and treasurers are finding many devices for it.

To the uninitiated, the company treasurer is just the keeper of the corporate coffer—or perhaps a super accountant, drawing up and distributing occasional financial statements to officers, stockholders, and bankers.

To those more familiar with the intricacies of corporate affairs, there is no more important man in a company's operation than the treasurer. Often, in fact, it's his department that generates profits—though it neither manufactures nor sells any products.

The treasurer's stock in trade is money, and how well he collects, disburses, conserves, and invests it has a mighty impact on his company. His role, relatively minor when money was plentiful and cheap, was never more vital than today, with corporate profit margins shrinking (BW—May 17 '58, p103), and companies hard pressed for cash. A smart treasurer can help keep a company from dependence on bank loans and securities markets.

Partly through choice, and partly through force of circumstance, companies have had to learn today how to get along with less and less cash. Since 1947, corporate sales have about doubled, but corporate cash and security holdings have increased only 31%. Result: The ratio of cash assets to current liabilities is about 41%—just about the 1939 level (BW—May 3 '58, p86).

• **How Much in the Bank?**—For the treasurer, the key question is: How much to keep in the bank? The answer, generally, falls in two parts—enough (1) to keep the company's checks from bouncing, and (2) to compensate the bank for its many services. The treasurer's goal is to cut down on idle cash, but he must also keep his bankers happy. Says Paul D. Milholland, a vice-president of the First National Bank of New York:

"A treasurer's interest and goal is close control over his many bank accounts, adequate payments to banks in the way of balances or service charges, and rapid transfer of funds."

Many top companies make regular

analyses of their banks. General Electric Co., for one, makes annual appraisals of its 540 domestic and foreign banks—and Treasurer John D. Lockton says, "We have almost no idle bank accounts." GE's sales are 77 times its cash, an exceedingly good ratio. In an effort to decrease this ratio of "idle" cash to sales—an important measure of efficiency—some treasurers have unmercifully cut down on deposit balances. Says Lockton:

"Some bankers have called us to talk to certain corporate treasurers to tell them that efficiency doesn't mean taking all balances away from the banks."

• **How to Cut**—Treasurers cut down on idle cash in a number of ways. Most important is cash flow forecasting (BW—Apr. 28 '58, p47). Some companies match up day-to-day inflow and outgo of cash so precisely that they can keep bank deposits almost constant through the year. American Telephone & Telegraph Co.'s average of cash and demand deposits through 1958 has varied barely \$500,000 either way from \$13-million.

The company's temporary cash investments, mostly short-term U.S. obligations, now stand at \$844-million.

• **Fast, but Not Too Fast**—Companies expect customers to pay bills quickly, and as customers, try to make their own payments quickly. The faster the treasurer can collect customers' checks and get them to his bank, the quicker he can put the money to good use. By paying his own bills quickly, he often gets a discount. Though this discount—say, 2% for payment within 10 days—seems small, treasurers figure it's the equivalent of a 36% annual return on investment.

But the smart treasurer will pay at the last possible moment, to keep his cash working longer. If a company pays 1,000 invoices, each for \$1,000, a day in advance, its working capital would be depleted by the equivalent of \$1-million for one day. Invested at 3%, it would have earned \$83 for the day.

The same applies to distribution of working funds to company departments. Some Gulf Oil Corp. divisional field offices, for instance, used to requisition

funds once or twice a week; now the treasurer's office insists on daily requisitions, thus keeping some cash on tap as much as four days longer. Asst. Treas. John Shaw told an American Management Assn. seminar last year that, figuring 10 offices each require \$500,000 a week, these staggered requisitions free the equivalent of \$10-million for one day. At 3% interest, this earns \$833.33 a week, better than \$42,000 a year.

• **Paying by Draft**—A few companies time disbursements to the day by paying bills by time drafts. These direct a bank to make payment on a fixed date, instead of on demand as with a check.

Canada Dry Corp. uses this method extensively. When it instituted the system several years ago, the company eliminated all its checking accounts outside New York, and now pays by draft on a New York bank. This eliminated check payment activity in local banks. But Vice-Pres. P. H. Littlefield says Canada Dry continued deposit accounts in these banks, so the local banks "are making more money than ever before on our accounts."

Because banks may charge 50¢ to \$1.50 to collect a draft, some companies might balk at accepting payment by draft—but they usually don't say a word if a big customer offers it.

• **Reducing the "Float"**—One advantage of paying by draft is that it cuts down sharply on "float," the time during which checks are in transit. Once a company makes out a check, it may have to keep perfectly good funds sitting idle in the bank for days until the check comes back to its bank.

Cutting down on float time, both in payments to and by the company, is one of the treasurer's major preoccupations. Installation several years ago of Teletype wires between major banks around the country enabled funds to be transferred almost instantly.

A deposit in a company's account in the Bank of America in San Francisco can be credited to its account in its New York bank the same day—and the treasurer informed what "good funds" he has available that day.

This wire system has made possible a method of cutting float called "area concentration." Accounts are established in banks in various areas, so a customer's remittance in one area should reach the collection place in that area in one day. Area banks report by wire to the company's central bank, which keeps the treasurer informed. The treasurer may drain off excess balances in any area either by automatic transfer of all funds over a certain


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Dividend Announcement

Massachusetts Investors Trust

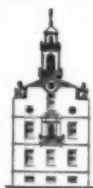
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amount, or by his special order when he wishes the transfer made.

• **Variations**—There are a number of refinements and variations on the area concentration system. A company with 50 retail stores in the state can deposit cash in a local branch, credit it to the company's account in the bank's San Francisco office, which sends the total to the company treasurer by coded wire.

In return, the company maintains a compensating balance in San Francisco.

General Telephone Corp. is instituting what it calls Automatic Cash Transfer; its companies in Michigan and Kentucky already have the system installed. Treas. Ralph D. Heusel explains that the Michigan company uses 160 local banks, which used to handle all cash and checks. Now local General Telephone offices mail out-of-town checks to a central bank; the offices deposit cash and local checks locally, but mail a check for the amount of each day's deposit to the central banks.

This, says Heusel, saves about \$2,000 a year in service charges on local collection of out-of-town checks, cuts clerical work in the treasurer's office, brings average local balances down from \$740,000 to \$140,000. The local banks are not unhappy because the remaining balance is more constant, Heusel says.

• **Many Ways**—Some other techniques for cutting down on float:

• The "lock box" system, under which customers mail payments to a post office box near one of a company's main banks. The bank picks up the checks, sometimes even through the night, credits the company's account next morning.

• The "guaranteed overdraft," usually used by companies with temporary operations, such as construction concerns. The man in charge of such an operation arranges with a local bank to honor checks over his signature, for a fee; these checks are guaranteed by the company's own bank and by the company, and no deposit is required in the local bank. AT&T uses a "Field Draft Plan"—though not often for payrolls—with a limit of \$100 or \$200 on drafts a foreman can draw.

Some treasurers now and then use methods they'd rather not talk about publicly. One, for example, may mail out checks for \$3-million on Friday, knowing his balance won't cover them. On Monday, if he doesn't have the money to deposit, he'll borrow.

• **It All Adds Up**—Not all of these methods of making cash work overtime, of course, are suited to the needs of every company. And taken separately, the savings from use of any one device may seem small in the over-all view of a big company's treasury. But when you take a number of them together, treasurers find, these cash-conserving devices pay their own way, and more. **END**



Modernize Now for Growth and Profits

*A Special Report from McGraw-Hill
to America's Business Executives*

THE EDITORS of all McGraw-Hill publications are now devoting their full energies to documenting what needs to be done *now* to assure success in the 1960s for:

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2. The business community as a whole
3. The nation—in its fateful economic competition with the Soviet Union. The U. S. State Department has characterized this economic challenge as "the most dangerous of all" confronting us.

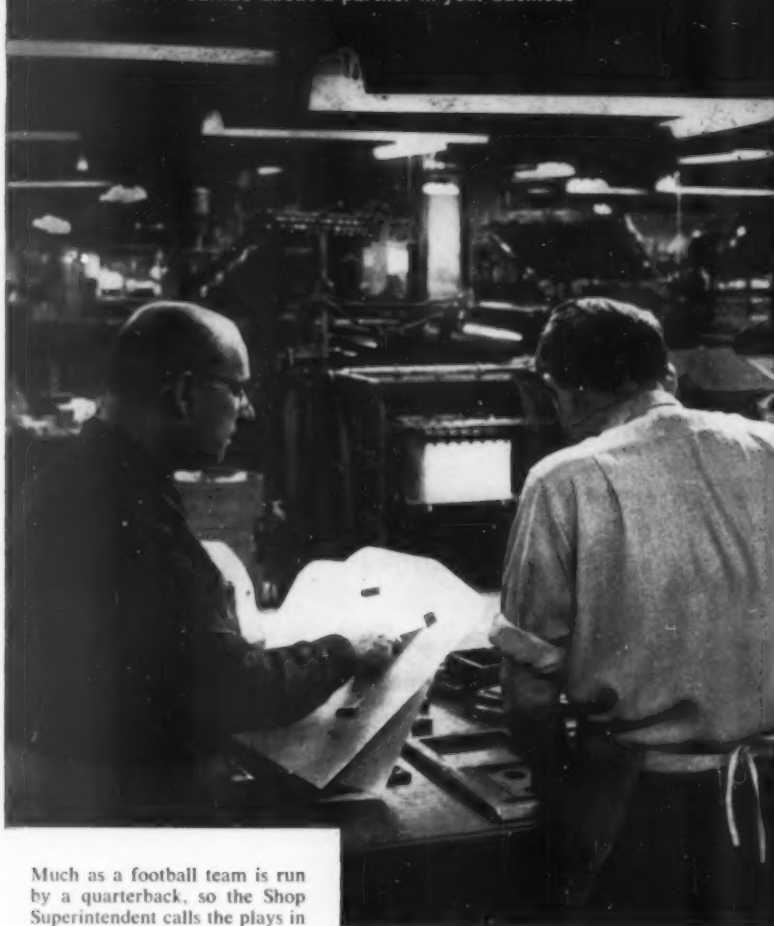
These editorial features will concentrate on what can be done *now* by modernization and improvement of plant and equipment to raise productivity and insure profitable growth ahead. They will appear early this fall in our 34 business and technical magazines, to assist industry in planning for the future.

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ANOTHER IN A SERIES about a partner in your business



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Wall St. Talks . . .

. . . about dividends
and yields . . . ominous earn-
ings reports to come . . .
penny stock boom in Canada.

In the first half, dividends suffered the heaviest casualties in years. According to one Street scorekeeper, 171 were omitted entirely, compared with only 77 in first-half 1957, and 282 were cut, compared with only 64 a year earlier. In June alone, 35 payments were omitted, 63 reduced.

Worrying some analysts: the narrowing of the gap between stock and bond yields. Average yield on the 425 stocks in Standard & Poor's daily industrial index has again dipped below 4%. At 3.93%, it is almost back to the level of a year ago, when stocks hit their highest prices for 1957. And it is getting close to the 3.64% average return offered by high-grade corporate bonds. Last January, industrial shares offered a 4.52% yield, almost 1% more than bonds.

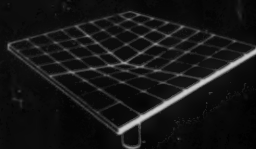
Second-quarter earnings reports will be flooding into print soon, and their possible effect on the market is worrying Wall Streeters. Even the bulls agree it isn't certain that the market has already fully discounted all the bad news these reports will contain, especially with regard to dividend prospects. If, however, this barrage of bad news fails to shake the market significantly, the ranks of the bears—who are already on the defensive—may well thin noticeably for a while.

Penny stocks are riding high again in Canada. On Monday, a handful of low-priced mining stocks helped push trading volume on the Toronto Stock Exchange to 15.7-million shares, the highest daily total ever reported. Star of the show was New Hosco Mines common. That day saw 14-million of its shares traded and it rose from \$3.15 to \$6—after having sold at a mere 17¢ just a week earlier.

New municipal bond offerings broke all records in the first half. They totaled \$4.4-billion, a figure that's 27% above the first half of 1957 and \$500-million more than the earlier six-month record set in 1954. It's also a total that can't be matched by any full year prior to 1952. No real ebbing of this flood is expected in the last half. Streeters predict a volume of more than \$8-billion for the full year—\$1-billion higher than the 1954 record.



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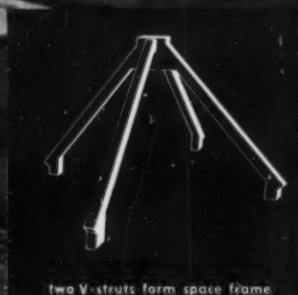
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News, pictures, music, light, heat, cold and thousands of other services to man are borne by streams of electrons crisscrossing the face of the earth. At an almost explosive rate, yesterday's electronic miracles are becoming today's commonplace; are swelling the demand for miniature components such as the transistors, diodes, rectifiers, resistors, capacitors produced by Texas Instruments.

Hence this newest addition to TI's facilities, a seven-acre building of functional character, a pleasant place in which to work, designed for quick change or sudden growth. Flexibility and expansion ease derive from two shapes used here for the first time industrially in the U. S. Concrete "umbrella-roofed" bays form clear

floor areas 63 ft wide and up to 147 yd long. Nine-foot V-spacers between the two floors make the some three dozen utilities completely accessible and available to both floors.

This fresh approach to problems is basic at Texas Instruments; leads continually to entirely new products of new materials with new characteristics. It is a technique that has brought the company to the forefront in components, in military and commercial electronic systems, industrial instrumentation, and geophysical exploration. Sales of TI products and services have required nine-fold plant expansion over the last five years to a present $\frac{3}{4}$ -million sq ft... resulted in almost 18-fold growth over the last decade.

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REGIONS

Japanese, U. S. Agree on Salmon

After talks between their governments had broken down, Japanese and American salmon packers met quietly in Tokyo to draw up new ground rules for the North Pacific fishery in time for this summer's season. Nothing has been said publicly, but, under threat of import curbs against them, the Japanese have agreed to give up some of their previous salmon territory (map).

Talks on the business level thus succeeded in protecting the interests of Pacific Northwest and Alaska salmon packers with respect to the 1958 catch. In the fall, the U.S., Canadian, and Japanese governments are scheduled to resume their interrupted effort to settle the matter on the diplomatic level. Meanwhile, a 1953 treaty among the three countries is still in effect, and the business pact is only as enforceable as a business "understanding."

• **Drawing a New Line**—In the Northern Pacific Ocean, red (or sockeye) salmon from Alaska mingle with other North American varieties and with Asian salmon.

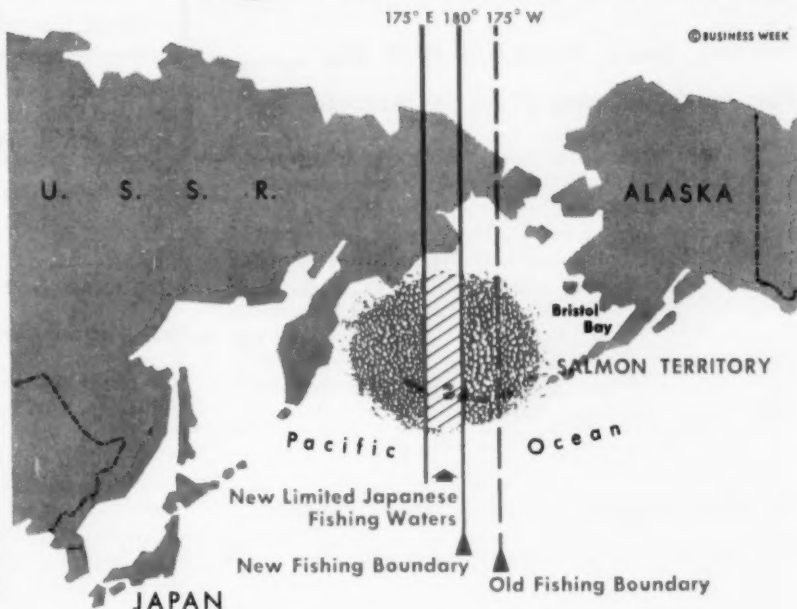
The 1953 treaty recognized the right of the Japanese to fish in mid-ocean, since the red salmon don't return in sufficient numbers to spawn in Japanese rivers, as they do in the Bristol Bay area on the North American side of the ocean. So the Japanese were given the right to fish eastward to the line of Longitude 175 West. The U.S. and Canada were confined to fishing their rivers when the salmon returned to spawn.

As it turned out, according to U.S. salmon packers, the Japanese got more than their share of red salmon along with their own pink variety. The Japanese catch of red salmon rose steadily, while the Alaskan catch dwindled. American fishermen charged that the Japanese were taking North American salmon before they had matured.

Last month, representatives of the U.S. salmon canning and importing industry met secretly with Japanese representatives to settle the dispute.

• **Private Agreement**—Terms of the understanding were not announced officially, for the same reason that Washington and Tokyo diplomats have been unable to reach agreement: The Japanese fear that any concessions to the U.S. might weaken them in similar talks with Russia, which would like to push them out of fisheries off Siberia and make more room for Red Chinese.

However, **BUSINESS WEEK** learns the Japanese industry agreed to move its limits 5 degrees of longitude toward the west and to reduce its catch of fish in the next 5 degrees westward. This, it is thought, will allow many more of



the Alaskan red salmon to return to their spawning areas—and to the U.S. packers' salmon traps. The Japanese expect their catch of red salmon to drop from last year's 20-million fish to about 11-million.

• **Bargaining Weapons**—The U.S. negotiators had a powerful weapon on their side—the threat of inducing their government to restrict U.S. imports of salmon from Japan. The packers themselves are among Japan's best customers for red salmon.

The packers in the Pacific Northwest buy this salmon—"our own salmon," a Seattle packer calls them, referring to the probability that they originate in the Bristol Bay spawning streams—to round out their own catch. They import unlabeled cans from Japan and sell the fish in the U.S. under their own brands. Thus, the situation is different from that of tuna, where Japanese fish compete directly with the U.S. catch.

The Japanese fishermen and packers have heavy inventories of red salmon. This, plus their hope of continuing heavy sales of pink in the U.S., undoubtedly persuaded them to yield.

• **Ray of Hope**—Whether or not the concession made by Japan's industry is made formal by treaty, it is the first encouraging thing that has happened to the U.S. salmon industry in a long time. For years, the industry has been suffering from a decline of both its market and its salmon catch.

The industry is centered in the Pacific Northwest, among large packers

and marketers such as Pacific American Fisheries, Inc., New England Fish Co., and Whitney & Co. (Gillnetter brand) and divisions of such national food processors and retailers as Libby, McNeill & Libby, California Packing Corp. (Del Monte brand), and the Great Atlantic & Pacific Tea Co.

Despite the stature of its leading packers and retailers, the salmon industry is often accused of failing to promote its product strongly. It has evidently lost sales to the more aggressive tuna industry. Studies show that older families are inclined to prefer salmon while younger couples buy tuna, partly on a straight price comparison of the finest Chinook (Columbia River) salmon with ordinary tuna.

For the decline of salmon runs, there are many explanations besides the heavy catch of North American fish by the Japanese: Unseasonable cold water that kills fingerlings in the spawning rivers, predatory fish in the ocean, dams and pollution that shut the salmon out of the rivers in which they must spawn.

Now the packers fear a new problem, with Alaska becoming a state. They led opposition to statehood for fear of higher taxes and, especially, of the proposed Alaska constitution, which would prohibit the use of traps and require nets in salmon fishing. Nets are more costly to maintain, require more manpower, provide a less steady and less sure supply of fish. But the statehood bill preserves federal controls over fishing until the Secretary of the Interior decides Alaska is ready to take over. **END**

In Business Abroad

...

France's Simca Teams Up With Fiat For Auto Assembly Plant in Morocco

Although France still hasn't solved its four-year-old conflict with nationalism in Algeria, French companies are finding ways to do business in other parts of North Africa. Last week, Simca of France signed a three-way pact with Fiat of Italy and the government of Morocco to build a car assembly plant in Morocco.

The plant will eventually employ about 600 Moroccans. Construction is slated to start this summer. Under the agreement, Simca and Fiat together get 40% ownership, while the Moroccan government holds another 40%. The remaining 20% goes to private investors in Morocco.

...

Train to Average 100-Plus Mph. Ordered By Japan in Rail Expansion Plan

While most U.S. railroads are strapped for funds and are cutting back services, Japan's National Railways is planning a \$225-million-plus expansion program. The plan includes construction of a new trunk line between Tokyo and Osaka, and an order for a high-speed train called the "Super Dream Express."

The semi-governmental company hopes to slow the shift of passenger traffic from the railways to the airlines. It may succeed—if the new train covers the 311-mi. run from Tokyo to Osaka in three hours flat, as the company claims. To maintain that schedule, the company says that the Super Dream Express will run over special jointless rails embedded in concrete.

...

Daimler-Benz Joins German Outcry Against Europe's Common Market

Criticism of present plans for Europe's Common Market is mounting in West German industrial circles. The latest critic is Dr. Fritz Koennecke, Daimler-Benz chairman. Daimler-Benz is one of West Germany's leading diesel engine producers, in addition to making the famed West German line of Mercedes cars.

Last week, Dr. Koennecke suggested that it would be better to abandon the entire Common Market arrangement unless Britain, Switzerland, Portugal, and the Scandinavian countries joined in. Koennecke said he foresaw the possibility that the Common Market might evolve into a "closed shop," shutting off West German producers from their customers overseas. This could prove fatal to Daimler-Benz, he said.

Meanwhile, West German industrial circles say Daimler-Benz is shopping around for a partner to help it meet competition within the Common Market and in the proposed Free Trade Area. Some companies

MORE NEWS ABOUT BUSINESS ABROAD ON:

- P. 130 Japan's Big Newspapers Promote Culture and Contests in Battle to Maintain Huge Circulation.

...

Magazine Says Engineer in Russia Has Higher Prestige Than in U.S.

A fresh look at Soviet industry, including its design methods and its incentives for engineers, appears in the July 14 all-Soviet issue of *Product Engineering*, a McGraw-Hill publication.

On the basis of a first-hand study of Soviet technology, *Product Engineering's* editor describes how Soviet industrial equipment is developed by well-staffed design institutes such as the Experimental Scientific Institute for Machine Tools, which employs 1,000 and supervises the design work of 8,000 people in machine-tool design in the U.S.S.R. Soviet design institutes were once an adjunct of various industrial ministries, but since Khrushchev's decentralization program, they have become attached to the Central Planning Commission.

Comparing the Soviet engineer with his American counterpart, *Product Engineering* concludes that, man for man, he "has greater prestige and position, but a lower standard of living and far less favorable working conditions." Even so, "he seems to have tremendous faith in the future, both of his profession and his nation."

...

Business Abroad Briefs

British aircraft exports, running 33% ahead of last year for the January-May period, may set a new record this year. The \$181-million worth of exports so far amounts to an annual rate of \$434-million, compared with 1957's \$326-million.

Oil developments: After more than two years of discussion, the French government has decided to build the pipeline from the new Edjele field in eastern Algeria to the Mediterranean through neighboring Tunisia. . . . In a new Japanese-Indonesian swap being negotiated, Kinoshita & Co. would hand the Djakarta government 66 small cargo-passenger ships worth \$50-million in exchange for 70-million bbl. of North Sumatran crude worth around \$100-million. Kinoshita would cover the difference with cash and goods.

Cut-rate flights to Western Europe, run by Icelandic Airlines, were booked solid during June, despite the new economy fares of Pan Am, TWA, and other carriers. Icelandic's round-trip fare to Oslo is \$441.20, compared with the big carriers' \$522.20 (though the differential is much smaller on flights to London).

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THAT MAKES THEM THE TRUCKER'S CHOICE...**



Japanese

Picture a newspaper published simultaneously in four large cities, highly spiced with local news of each, publishing in two languages, with 49 editions a day, and a circulation double that of the biggest U.S. daily—yet forced by language difficulties to use the slow, cumbersome, mechanical methods shown on these pages.

Picture around it a publishing and broadcasting empire, with a dozen periodicals, a half-dozen annual handbooks, 10 books a month, an interest in a dozen radio and TV, paper, ink, and other companies—plus a welfare and cultural enterprise ranging from hospitals and child care to sponsorship of plays and concerts.

Picture this sprawling empire reaping more newspaper revenue from circulation than advertising, spending \$700,000 last year on educational, musical, and sports awards—and netting about \$300,000 for itself.

That gives you a hasty notion of Asahi Shimbun, one of Japan's two top newspaper enterprises, and a partial glimpse of some things that set it apart from similar U.S. newspaper enterprises.

Founded 80 years ago by a shrewd Osaka businessman and still guided by his family, Asahi has held its own against the assaults of the old feudalists



ENGLISH EDITION of Asahi, for Japan's foreign colony, is only one part of huge newspaper enterprise that puts out 49 daily editions in four cities, with 4.5-million circulation.

TYPESETTERS for Japanese editions, using 3,000 Chinese characters plus two Japanese phonetic alphabets, must set type laboriously by hand.



Paper Plays Top National Role



FACSIMILE machine gets Asahi copy from correspondents in Chinese characters, to help lick communications problem.

NEWS ROOM in Osaka lacks typewriter din of U. S. newspapers. Most of the copy is handwritten.



CARRIER PIGEONS bring in baseball pictures and latest bulletins, beat traffic by 30 min.; Asahi owns about 250 pigeons.

Creative Engineering by **DE LAVAL**



One of the U.S. Government's exhibits at the Brussels World's Fair is the model of the first nuclear ship, the N/S SAVANNAH, shown above.

The De Laval Steam Turbine Company is proud to play an important part in the design and construction of this 22,000 shaft horsepower vessel, the keel of which was laid on May 22, 1958, Maritime Day, at the New York Shipbuilding Corp. in Camden, New Jersey.

Under the joint sponsorship of the Atomic Energy Commission and the U. S. Maritime Administration, major contributions to the design and construction of the vessel and its machinery are being made by:

- *George G. Sharp, Inc., naval architects, designers of the vessel*
- *Babcock & Wilcox Company, designers and build-*

ers of the pressurized water reactor and its accessories

- *New York Shipbuilding Corp., Camden, N. J., builders of the vessel*
- *De Laval Steam Turbine Company, designers and builders of the main propulsion machinery, other engine room auxiliaries; coordinators of all engine room equipment.*

We are particularly happy to serve in connection with this project of international importance. De Laval has often performed other important services as complete engineering coordinators, and is fully prepared to undertake similar assignments.



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More Ways

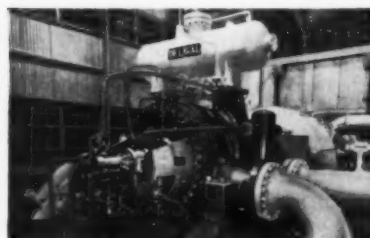
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Creative Engineering Serves Industry



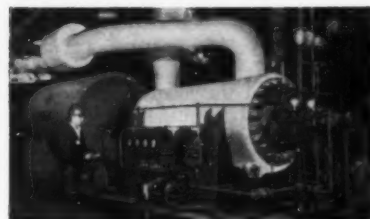
Centrifugal Compressors for Refineries

Shown here is a De Laval 10,200 H.P. turbine-driven main air blower handling 83,000 cubic feet per minute at the Ashland Oil & Refining Co., Ashland, Ky.



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and the later militarists and ultranationalists. Today it stands at the pinnacle of its power as a leading Japanese business entity, and perhaps the most important single cultural factor in present-day Japan.

Just last week, Asahi's directors were puffed up with pride over recent events the paper has sponsored:

- An exhibition of Persian art visited by the Emperor of Japan and the Shah of Iran on opening day.

- A record-breaking ocean descent by French divers in a bathysphere off the coast of Honshu.

- Launching of the Cancer Institute of Japan, with the first substantial gift donated by Asahi.

Now the paper is sending one of its top men to snare a group of displays at the Brussels World's Fair for a scientific exhibition in Japan next fall.

And on the business side, it's putting finishing touches on a \$7-million expansion and renovation of its Tokyo headquarters.

I. Golden Age

Asahi is typical of the large Japanese newspapers that occupy a place of their own in world journalism. Japan can boast at least five of the world's largest papers—four of them national newspapers that dwarf most papers in the Western world.

Asahi sells an estimated 4,528,000 papers daily. Mainichi tops this slightly with an estimated 4,574,000. Yomiuri's circulation exceeds 2.8-million, Sankei's 2.5-million. (Latest figures of the mass-circulation New York Daily News are 2,224,541 on weekdays, 3,745,757 on Sundays.)

The postwar period has been the heyday of these news giants. The militarists who fought the whole idea of a free press were gone. The unprecedented prosperity of the past five years has enabled the papers to sell their product at high prices. The highly literate Japanese (99%, highest of any major world power) have depended on newspapers as their main source of diversion and information.

- **Turning Point**—But there are profound changes taking place, and a new Japan is in the making. Newspapers face growing competition for the public's time from movies, radio, and other entertainment, and from the greater mobility that is coming to the Japanese. Whether high-priced newspapers can maintain their hold against these inroads remains to be seen. (For a Japanese who is lucky to make 15,000 yen a month, 330 yen for a monthly subscription—morning and evening—is a lot. It's nearly a dollar out of a monthly income between \$40 and \$45.)

Asahi's editors say they have no fears. Yet, with the rapidly changing social

atmosphere of Japan, it would be a rash man who would predict another decade of the present "golden age" of Japanese newspapers.

- **Asahi's Role**—Today, Asahi spreads out all over Japan from its head office at Yurakucho, Tokyo's Times Square. In Tokyo, besides the Japanese-language daily, there is the national English-language daily, Asahi Evening News (picture, page 130)—55% owned by the parent company, Asahi Shimbun Publishing Co., Ltd. Asahi also publishes in the large metropolitan centers of Osaka and Nagoya, and in smaller Kokura.

With great ingenuity and inventiveness, Asahi has licked many of its technical problems, and is on the way to solving more. But on the editorial side, Asahi's critics ask whether—with all its emphasis on ethics and culture—it is really setting the pace for the new Japan. Despite its business ownership, the traditional freedom of the editorial department and of each individual Japanese newspaperman results in a generally left-of-center line and in sometimes brutal attacks on U.S. policy.

Asahi's critics ask whether, in the face of a growing threat of Communist power in mainland China, this is not a great disservice to U.S.-Japanese cooperation. They point out that this cooperation is needed to maintain the strength of Japan's still timid democracy—on which the present high position of Japan's newspapers depends. (In a pinch, though, Asahi usually comes through on the right side, as it did in denouncing the execution of former Hungarian premier Nagy.)

- **A Look at the Books**—Financially, there's no question of Asahi's strength, though a U.S. businessman going over the books might find some surprises, and would certainly have some questions. It's difficult to calculate in Western terms the value of Asahi's vast plant, but Asahi probably is financially the strongest of all Japan's publishing enterprises. The publishing company lists its capital at only 4-billion yen, or about \$12-million, but one executive guesses the replacement value would be at least five times that.

In any case, these figures bear little relation to the value of the enterprise in Western terms. It's said, for example, that the new 14-story Osaka building—opened this spring with great fanfare in connection with the Osaka International Festival of Music, Drama, and Arts, which Asahi helped promote—cost 5-billion yen, or about \$14-million. In terms of U.S. construction costs, that's the equivalent of a \$50-million structure in the U.S. And the newspaper has built large private fortunes for the families owning it.

For 1957, Asahi lists gross revenues of about 20-billion yen, of which 10-billion came from newspaper sales,

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3-billion from magazines and books, only 7-billion from advertising. Newsprint costs were almost 40% of the total. The company paid dividends of 5% to stockholders—a low rate in Japan where 10% is expected from blue-chip companies, and is paid even by some provincial newspapers.

II. Against Heavy Odds

Japanese newspapers have not reached their present high estate without overcoming serious handicaps—some that would be familiar to U.S. frontier editors and others that U.S. papers have never had to face.

When Asahi was born at Osaka in 1879, the Japanese public was sick of political journals that had sprung up after Japan was opened to the West. So its businessman founder, Ryuhei Murayama—who was joined in 1880 by another Osaka businessman, Riichi Ueno—made it a rule to avoid political affiliation. (And it's still a strict rule that any employee who becomes formally committed politically must quit.)

But Murayama set forth a credo that was somewhat startling for the time. He said, "This newspaper will be edited for easy reading, even by children, with illustrations and other devices . . . for the guidance of the common people . . . in order to teach social justice." Asahi became, and remained, the spokesman for the most liberal elements in Japan. As a result, it sometimes had to stop publishing in the early days, and Murayama was attacked on the streets. In 1936, militarist goons wrecked the Tokyo plant.

Today, Murayama's daughter and her husband—N. Murayama, adopted into the family in accordance with Japanese custom—rule the Asahi empire. The Murayama family holds 40% of the stock, the Ueno family 20%, with the other 40% held by members of the board of directors (representing both business and editorial sides of the paper) and by other employees.

• **Technical Hurdles**—The problems that Asahi's owners face in maintaining its present high position are partly those faced by newspaper owners in the U.S. and everywhere, partly special problems resulting from Japanese conditions and Asahi's own traditions.

With its many editions appearing in four scattered cities, Asahi must be both a national and a local paper. It takes a long string of foreign news services, relying mainly on the U.S. Associated Press and a dozen or so of its own foreign correspondents. Its front page features international and "heavy" news—and some Tokyo newsmen suspect this page gets little more than a hasty glance from rural readers. But among the educated, subscribing to Asahi rather than the frankly more

popular Mainichi or the Hearst-like Yomiuri has a certain "snob" value.

The job of getting out multiple editions in four cities is fantastically complicated by the language problem. Japanese papers must be set, mostly by hand, in three "alphabets"—the two Japanese phonetic alphabets, and the host of Chinese characters which the Japanese have borrowed and simplified down to about 3,000 in number. In all, some 700,000 characters must be set in a daily paper. Communications all along the line—from local correspondents to city desks, from paper to paper—are also more difficult.

Asahi has made some progress in solving these problems. It is using its own version of the facsimile system, experimentally, to get copy from "stringers" (picture, page 130). Besides its carrier pigeons and Chinese-character Teletype, it uses a version of the British Hellschreiber to transmit the characters. Some, however, see a major language reform as the only way out.

• **Circulation Scramble**—With the bulk of newspaper revenue derived from circulation, Japanese papers woo the public with every trick in the book—prizes, rebates, bonuses, and what not. And some practices of the distributors, though not so violent as those of the legendary knock-down-and-drag-out Chicago circulation wars, might have raised an eyebrow or two even then.

Asahi, like other Japanese papers, has a complex distribution system—and it's probably this distribution setup more than anything else that accounts for the success of Japanese newspapers. Papers are sold through retail agents—and many a tale is told of their persistence, even to staging a sitdown strike in a prospective customer's home until he subscribes. Competitive methods got so bad that the Japanese Editors & Publishers Assn. (headed by Asahi's Murayama) stepped in, and with government help got a code banning free copies, discounts, and so on.

• **Who's Emperor?**—Asahi's tradition of giving free rein to its writers—who go their own way much as do American columnists—results in something of a split personality. Asahi's vaguely "leftist" policy, one Tokyo newsmen notes, "could hardly be the opinions held by the Murayama family itself."

Boss of editorial policy is editor-in-chief Shintaro Ryu, former European correspondent. There's no doubt that Asahi's line is popular and represents the trend among intellectuals, who staff the paper (a cynical Tokyo observer sniffs that it sells papers, too). Yet Asahi, willy-nilly, stands also for the determination to maintain Japan's new postwar democracy. How well it can fulfill that aim depends in part on how well Japanese newspapers can keep abreast of changes coming to Japan. **END**

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Headed for Red Ink Again

The federal government started a new fiscal year last week, with the prospect of a deficit of something like \$10-billion staring it remorselessly in the face. If this unpleasant but conservative forecast works out, fiscal 1959 will bring the worst shower of red ink since 1946, when we were still cleaning up the expenses of World War II.

This doesn't mean—as the calamity howlers have been quick to declare—that the U.S. has lost all control over its finances and started down the slippery slope to national bankruptcy. With the economy in a serious slump, the budget should be running a deficit. Indeed, a large part of the gap between income and outgo is explained by the operation of the built-in stabilizers that help offset the effects of the recession. It would be a disastrous mistake to try to force the budget into balance by raising taxes or slashing expenditures, and the Eisenhower Administration, profiting by some of the horrible examples of the past, is wisely accepting the situation with what grace it can.

Nevertheless, a \$10-billion deficit—even a necessary deficit—is nothing that anyone can take satisfaction in. This addition to the national debt undoubtedly will complicate the problem of controlling inflation in the future. It postpones one step further the day when we can hope for a real reduction and revision of federal taxes. And it complicates the problems of the Federal Reserve Board and the Treasury, who have to manage the government's debt.

In a real sense, this is the price that we have to pay for failing to maintain a healthy rate of economic growth. If there is a lesson to be learned from the unhappy forecasts for fiscal 1959, it is simply that the U.S. is irrevocably committed to expansion. Any time that it stops growing—even temporarily—it is due for trouble.

In the present case, Congress has complicated the whole problem by spending too much for some things and not enough for others. As a result, even with a \$10-billion deficit, we are not getting all that we need in some areas and we are wasting money in others.

There is plenty of money, it seems, to pour down the rathole of farm support legislation. And too few congressmen or lobbyists worried about deficits when the pork-barrel rivers and harbors legislation came up.

But the defense establishment still is on short rations and has to watch every penny (page 27). The Administration is fighting with its back to the wall to prevent a murderous slash in foreign aid money. And Congress has not yet acted on the limited program of aid to education that Pres. Eisenhower

sent it after the first Russian Sputniks went up.

It is one thing to face facts realistically and decide that a deficit is unavoidable. It's another—and by no means healthy—thing to shoot the works on the politically enticing programs and then try to cut corners on the essentials. The U.S. can't avoid a lot of red ink in the coming year—and shouldn't try to. But the very least it can do is see that it gets its money's worth for what it spends.

Too Many Objectives

Walter Reuther in his bargaining with the auto companies has raised anew a question that other union leaders already have posed and will pose again. It is one that affects nearly every American business firm and its employees.

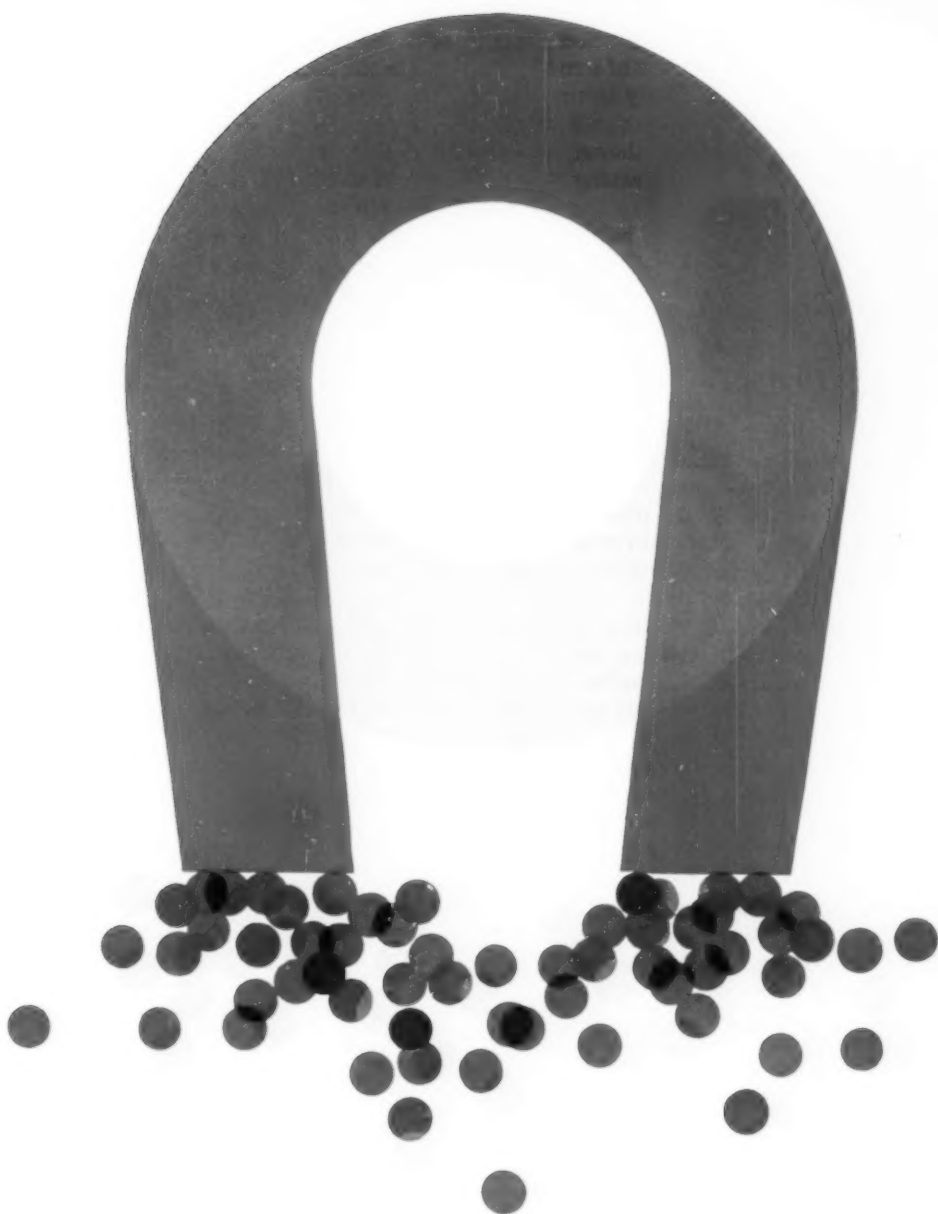
In a recent letter to the Ford Motor Co., Reuther complained that the Ford-UAW Pension Trust Fund has financed housing projects in the New York City area, but not in Detroit. He then proposes that pension funds help finance socially desirable projects—in this particular case, investing in housing and other community facilities in Detroit and other cities where Ford workers live. In this way, Reuther says, the funds can perform double duty on behalf of the workers who own them.

While the idea theoretically seems to have a lot of appeal, it has some serious flaws. Primarily, it would put an almost impossible burden on the backs of the private pension fund managers and trustees. Basically, their aim is to use all the financial skill at their command to provide economic security, in case of illness or retirement, for the fund's beneficiaries.

To this end, they have engaged sizable staffs of investment experts who are constantly screening out hundreds of investment possibilities to single out those that meet the particular requirements of safety and income that each individual fund must demand.

For a pension fund to provide economic security for its beneficiaries on one hand, and at the same time feel bound to supply risk capital for "social-purpose" ventures—which may not be too attractive financially—would seem to put giant hobbles on these funds.

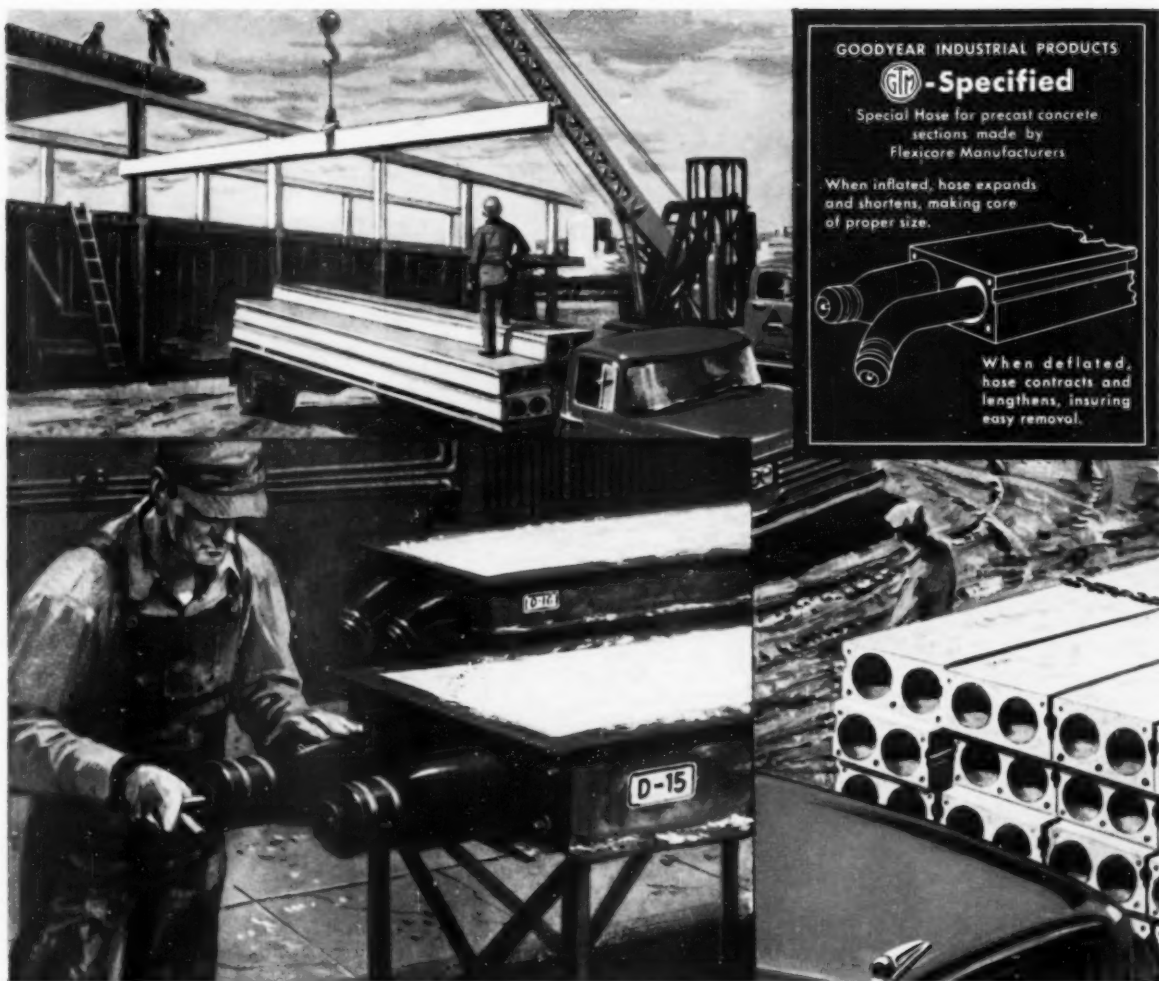
It would be fine for pension funds to be "do-gooders" in terms of community projects, but the pension fund trustees would be remiss in their responsibilities if they did it at the expense of fund's beneficiaries. It also might be argued as some businessmen have that the soundness of an investment in itself is a measure of its social usefulness.



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